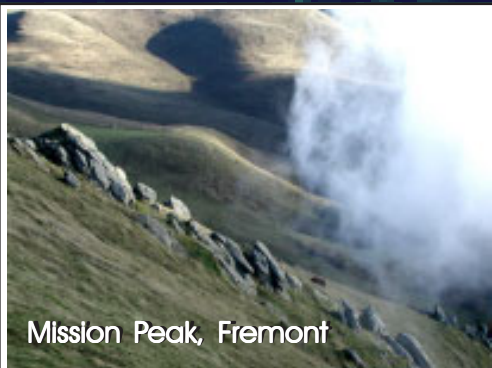
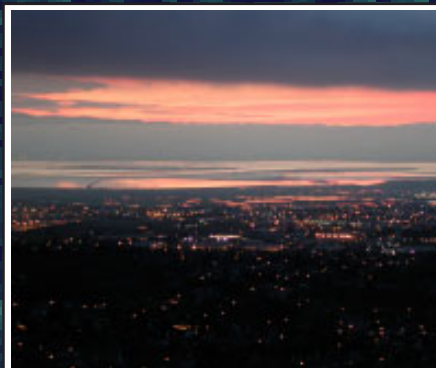


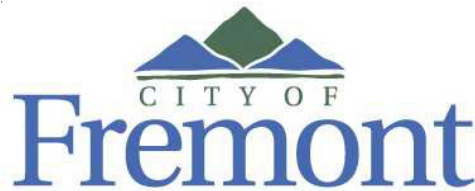
# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2004



Mission Peak, Fremont





Located on the southeast side of the San Francisco Bay, Fremont is a city of over 209,080 people with an area of 90 square miles, making it the fourth most populous city in the Bay Area and California's fifth largest city in area. With its moderate climate and its proximity to major universities, shopping areas, recreational and cultural activities, employment centers, major airports, and the Bay Area Rapid Transit system, Fremont captures metropolitan living at its best.

The Fremont area was first settled with the establishment of Mission San Jose by the Spanish. In the mid-1840's, John C. Fremont mapped a trail through Mission Pass to provide access for American settlers into the southeastern San Francisco Bay Area. In 1853, Washington Township was established, taking in the communities of Mission San Jose, Centerville, Niles, Irvington, and Warm Springs. On January 23, 1956, these communities joined together to form the City of Fremont.

# City of Fremont

Fremont, California

*Comprehensive Annual Financial Report*

*For the year ended June 30, 2004*

Prepared by:  
Finance Department

# City of Fremont

## Table of Contents

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<b><u>Introductory Section</u></b>	<b><u>Page</u></b>
Letter of Transmittal .....	iii
Location Map .....	xiii
City Council and Staff .....	xiv
Organizational Chart .....	xv
Certificate of Achievement for Excellence in Financial Reporting - Government Finance Officers Association .....	xvi
<b><u>Financial Section</u></b>	
<b>Independent Auditors' Report .....</b>	<b>1</b>
<b>Basic Financial Statements:</b>	
Management's Discussion and Analysis .....	3
Government-Wide Financial Statements:	
Statement of Net Assets .....	35
Statement of Activities and Changes in Net Assets .....	36
Governmental Funds Financial Statements:	
Balance Sheet .....	40
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets .....	43
Statement of Revenues, Expenditures and Changes in Fund Balances .....	44
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets .....	46
Proprietary Fund Financial Statements:	
Statement of Net Assets .....	48
Statement of Revenues, Expenses and Changes in Net Assets .....	49
Statement of Cash Flows .....	50
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets .....	52
Index to Notes to Basic Financial Statements .....	53
Notes to Basic Financial Statements .....	55

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# City of Fremont

## Table of Contents, Continued

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	<u>Page</u>
<b><u>Financial Section, Continued</u></b>	
<b>Basic Financial Statements, Continued:</b>	
Required Supplementary Information:	
Budgetary Information.....	91
Modified Approach for the City's Infrastructure.....	95
Defined Benefit Pension Plan.....	97
<b>Supplementary Information:</b>	
Non-Major Governmental Funds:	
Combining Balance Sheet.....	102
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	112
Proprietary Funds:	
Combining Statement of Net Assets .....	124
Combining Statement of Revenues, Expenses and Changes in Net Assets .....	125
Combining Statement of Cash Flows.....	126
Agency Funds:	
Description .....	127
Statement of Fiduciary Net Assets .....	128
Statement of Changes in Assets and Liabilities.....	130
<b><u>Statistical Section</u></b>	
General Governmental Revenues by Source .....	134
General Governmental Expenditures by Function .....	136
Property Tax Assessed Values, Levies, and Collections .....	138
Property Tax Rates – Direct and Overlapping Governments.....	140
Special Assessment Collections .....	141
Computation of Legal Debt Margin.....	142
Schedule of Direct and Overlapping Debt.....	143
Percentage of Annual Debt Service for General Debt to Total General Expenditures .....	145
Ratio of Net General Debt to Assessed Value and Net Debt per Capita .....	146
Composition of Long-Term Debt .....	148
Demographic Statistics.....	149
Construction .....	150
Major Taxpayers.....	151
Miscellaneous Statistical Data.....	152

December 16, 2004

To the Honorable Mayor, Members of the City Council and  
Citizens of the City of Fremont, California

Various financing covenants and rules associated with restricted funding sources require the City of Fremont, California (City) to publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants. The publication of these statements is to be completed from six to nine months following the end of the fiscal year. Pursuant to the requirements noted above, we hereby issue the Comprehensive Annual Financial Report of the City of Fremont, California for the fiscal year ended June 30, 2004.

This report consists of management's representations concerning the finances of the City of Fremont. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Fremont's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Caporicci & Larson, a firm of licensed certified public accountants, has audited the City of Fremont's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Fremont for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial management presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Fremont's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City is part of a broader, federally mandated "Single Audit" designed to meet the needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Fremont's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

The City of Fremont, incorporated in 1956, is located at the southeast end of the San Francisco Bay and is the 14th largest city in population among California's 478 cities. The City of Fremont contains 92 square miles and serves a population of 210,000.

During the last three years, growth in the City has slowed dramatically as a severe downturn hit the high technology companies in the Silicon Valley. The City budget has also contracted rapidly during the same period. Severe decreases in business-related revenues, loss of revenues to the State, and cost increases caused by losses and sub-par performance in the California Public Employees' Retirement System (CalPERS) have forced deep cutbacks in all City services. Despite seeing the first signs of economic recovery in three years at the end of 2003/04, the City faces resource shortfalls in future budgets. Aggressive cost cutting, economic development and fee increases have helped with the resource problem, but new resources will be needed to continue current service levels and restore essential public safety and maintenance services.

In addition to a large cluster of high tech companies, Fremont has attracted many biotechnology companies and is also the home of New United Motors Manufacturing, Incorporated, a joint venture of General Motors and Toyota, which produces 370,000 vehicles a year, including the Toyota Corolla, the Toyota Tacoma pickup truck, and the Pontiac Vibe.

The City is a general law city and, as such, does not operate under the provisions of a voter-approved charter. Like other general law cities, and charter cities with only minor differences, the City has limited ability to set tax rates. The State Constitution establishes a maximum rate for property tax and limits the growth of assessed value. The property tax collected is allocated among the jurisdictions in the City's tax rate areas based on criteria

established by the State Legislature. The rates and tax base of the City's two other major general taxes, sales tax and vehicle license in lieu fees (VLF), are also controlled by the State Legislature or the Constitution, rather than the City Council.

Increases of existing local taxes and any new taxes require voter approval. Taxes used for general purposes are subject to approval by a simple majority of voters, while taxes levied for specific purposes require a two-thirds majority of voters, as do property tax levies used to pay for debt issued to build capital assets. In November 2002, Fremont voters approved an additional tax levy to build and upgrade fire stations and other public safety facilities throughout the City. The first series of those bonds was issued in July 2003. The City Council placed a ballot measure seeking new revenues in 2005/06 on the ballot in November 2004. That measure secured 45% voter approval after a short campaign. The City may seek voter approvals of revenue measures in the future to address the lack of resources it needs to support essential services.

Assessments have varying requirements for voter approval ranging from approval through Council action unless challenged by a majority protest to two-thirds voter approval, with voting rights apportioned based on the amount of the assessment. In addition, fees for facilities and services are subject to requirements that they not be set at levels that exceed the reasonable costs of providing services. As a result, fund balances generated by differences between fee revenue and related expenses are retained and designated for services and facilities that benefit fee payers.

The City of Fremont has operated under the council-manager form of government since its incorporation in 1956. Policy-making and legislative authority are vested in a five-member governing council consisting of the Mayor and four Councilmembers. The City Council is responsible, among other things, for passing ordinances, adopting the budget, approving the Mayor's nominees to commissions, and hiring both the City's manager and its attorney.

The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The City Council is elected on a non-partisan basis. Councilmembers serve four-year staggered terms, with two Councilmembers elected every two years. The Mayor is elected to serve a four-year term. The Mayor and Councilmembers are elected at large and all are subject to two-term limits.

The City of Fremont provides a broad range of services, including police and fire protection, construction and maintenance of streets, parks, storm drains and other infrastructure, recreational and cultural activities, and human services programs. It also manages franchises for solid waste, cable television, energy and telecommunications. Certain infrastructure construction and community development activities are provided through a legally separate redevelopment agency. The City Council sits as the agency's board and it

functions, in essence, as a department of the City. Therefore, the Fremont Redevelopment Agency (FRDA) has been included as an integral part of the City of Fremont's financial statements. Many major public services delivered within the City's boundaries, including water, wastewater, education, regional parks, and public transportation, are provided by other agencies. The City of Fremont is not financially accountable for the operations of the franchisees or these government agencies.

The annual budget, the five-year integrated capital assets plan which integrates capital construction, maintenance and debt issuance planning, the long range (30 year) development impact fee financial plan, financial policies governing reserves and fee supported services, and the budget resolutions serve as the foundation for the City of Fremont's financial planning and control. Departments submit operating appropriation requests in accordance with the City Manager's instructions by the middle of March each year. The City Manager makes recommendations to the City Council regarding the following year's budget in May and, after public discussion and evaluation of the City Manager's recommendations, the City Council adopts the annual budget in June of each year.

Capital budget appropriation requests are submitted for inclusion in the integrated capital assets plan (ICAP) by the end of September every two years. The City Manager's recommendations regarding the integrated capital assets plan are presented during April following the even-year City Council election after conducting a series of City Council workshops and public hearings between December and March. The operating budget, integrated capital assets plan, and FRDA budget are coordinated and integrated in connection with each year's operating budget.

The City Council delegates budget authority through its budget resolution at the fund level. The City Manager is authorized to transfer appropriations between departments within funds and to limit expenditures in response to under-collection of estimated revenues. Transfers of appropriations between funds require City Council approval. Budget to actual comparisons are provided as part of the required supplementary information (RSI) in this report for the general fund and each major governmental fund for which the City Council has adopted an annual budget.

The City Council reviews budget results and an updated, rolling five-year forecast three times a year, at the first quarter review, the mid-year review, and at budget adoption. The ICAP is reviewed biennially, and the City Council receives quarterly reports of project status and annual reports of project closeout results. The impact fee financed asset system program is reviewed annually and is comprehensively updated every five years. Redevelopment budgets are adopted annually and five-year plans for the FRDA are updated every two years or as circumstances warrant. The ongoing review and long range planning focus for financial management provides numerous opportunities to identify and respond to changes in revenues and expenditures and in community priorities.

### **Factors Affecting Financial Condition**

We believe the information presented in the financial statements is best understood when it is considered from the broader perspective of the context within which the City of Fremont operates.

**Risk and volatility in funding sources collected or allocated by the State.** During the last ten years, the City has lost its ability to set tax rates without voter approval and the State of California has diverted local revenues to offset its own budget problems. In the fiscal year just ended, the State of California reduced the amount allocated to the City through the vehicle registration system by \$3.4 million and shifted property tax from the redevelopment agency totaling \$1.3 million to deal with its own budget deficit. In 2004/05, the State has shifted \$2.7 million of property taxes from the City and has shifted \$2.4 million from the City's redevelopment agency. That reduction will be repeated in 2005/06. In addition, the State has continued to withhold reimbursement for the cost of complying with State mandates.

A constitutional amendment (Proposition 1A), passed by State voters on November 2, 2004, limits the amounts of reductions of local government revenues in 2006/07 and future years and recharacterizes those reductions as loans rather than takeaways. It also limits the State's ability to borrow local revenue allocations to twice every ten years. Limits are based on the total amount allocated to local government, not the specific amounts allocated to an individual agency. Another provision permanently reduces the vehicle registration tax rate and replaces local government's lost taxes with property tax money that has been transferred from local governments annually since 1993.

The State also proposed and the voters approved a constitutional amendment transferring a quarter of local government's 1% sales tax rate to the State to guarantee repayment of bonds issued to finance the State's deficit in 2003/04. That sales tax was replaced with property tax that had been transferred from local governments annually since 1993. The revenue shift will continue until the State's deficit bonds are repaid.

Only voters can approve increases in sales taxes, limited to transportation and public safety purposes, or general obligation bond tax overrides. The City Council cannot control the rates of these large revenues sources. As a result, with only minor exceptions property tax, sales tax and vehicle registration taxes are classified as intergovernmental revenues in the City's financial statements.

Intergovernmental revenue is subject to the control of another government. It is more volatile and more subject to restrictions on its use than other general revenues, especially locally authorized and collected taxes. Where the State has provided full or partial compensation for reducing traditional local revenue sources and where that compensation is

material, the mitigating payment from the State is disclosed separately in the financial statements. These mitigation payments are particularly vulnerable to reduction when the State of California faces serious budget problems. In addition, unlike revenues affected by economic fluctuation, intergovernmental revenues, once reduced by legislative action, are less likely to return to prior levels.

**Local economy.** During the last three years, the business economy has been severely affected. Despite only moderate effects in consumer retail and a remarkably strong residential housing market, the business downturn has been so severe that it has forced major reductions in basic City services. Residential values have grown and nonresidential property values in Fremont have not declined significantly, despite the length and depth of the economic downturn. Assessed value growth in Fremont in both 2003/04 and 2004/05, because of its proximity to Silicon Valley, was the second lowest of any city in Alameda County.

At the end of 2003/04, tax data indicated that the local economy has stopped its decline and that we can expect stronger performance in 2004/05. As the economy improves, the City will benefit from its excellent location in Silicon Valley, significant regional transportation infrastructure investment, and its supply of developable land. A major retail development at Catellus Development Corporation's Pacific Commons project will bring 550,000 square feet of retail space to the City in 2004, and a new Wal-Mart store will open in 2005. In addition, four new car dealers are expected to open in the City's auto mall in 2005.

**CalPERS.** The California Public Employees' Retirement System (CalPERS) has suffered portfolio losses and earned sub-par yields in three of the last four years. The impact of portfolio losses began to affect City contribution expenditures beginning in 2003/04. More increases will come in 2004/05. The City's costs for the retirement system are projected to increase from \$5.1 million to \$17.7 million per year over the next five years. The City's actuary projects that the higher rates will affect the City for several years unless CalPERS earns extraordinary portfolio returns in the next two years.

**State budget.** The City of Fremont lost \$3.4 million in general fund revenue, \$1.3 million in redevelopment tax increment revenue, and faced loss of public safety grants and mandate reimbursements totaling nearly \$400,000 in the 2003/04 State budget. The State passed a budget heavily dependent on debt, borrowing, and deferral of expenses that will create a budget deficit of \$8 billion in 2005/06. In addition, the budget deliberations for both 2003/04 and 2004/05 were complicated by the recall election of the Governor. On October 7, 2003, the voters recalled Governor Gray Davis and elected Arnold Schwarzenegger to replace him. The complex political environment created by the recall and the State's heavy use of borrowing to defer difficult budget decisions could create serious budget problems for the State for the next few years. This, in turn, could threaten

the City of Fremont's revenues because so much City revenue depends on State budget decisions.

**City Council response to budget shortfalls.** The City Council supported the City Manager in reducing General Fund spending by over \$10 million in 2002/03. It also adopted a budget that reduced General Fund spending in 2003/04 by 22% compared to the budget level forecast when the 2002/03 budget was adopted. Reductions include 224 positions, lower investment in capital projects, refunding of fixed rate lease certificates of participation, cancellation of construction of a new lease-financed fire station, and use of unspent project proceeds to pay debt service. The City Council also approved new fees to fund waste management-related maintenance services, expand fire inspection programs, and support long range planning efforts. These changes are expected to prevent additional reductions in services through the end of 2004/05 if the City does not lose additional revenues controlled by the State.

In November 2004, the City Council placed a measure on the ballot to seek voter approval of a 6% utility users tax. The measure drew positive votes from 45% of the voters after a very short campaign. It is likely the City will continue to explore options to increase local revenues to prevent further reductions in local services.

**Long term financial planning.** The City Council has continued to focus attention on the long term benefits of transportation infrastructure improvement, recruitment of consumer retail uses to balance the City's business to business sales tax base, and development of a pedestrian oriented urban center in the City's Central Business District. Resources have been accumulated for the City's estimated share of a \$223 million freeway interchange expected to begin construction in 2004/05 that will allow completion of major upgrades to I-880 through Fremont. This interchange is the last of four using local funding to allow the completion of extensive freeway investments funded by the County, the State and the federal government. Construction will also begin in the next twelve months to build two grade separations that will increase safety, reduce congestion and facilitate extension of the Bay Area Rapid Transit District commuter rail system south to the City's Warm Springs district and from there, eventually, to San Jose.

These transportation system improvements, totaling \$298 million, will receive redevelopment funding of nearly \$90 million as part of an overall plan that includes State, regional, federal and other local funds. A large part of the FRDA's fund balance and smaller amounts of the City's fund balances are designated for these projects.

Economic Development (ED) and Development and Environmental Services (DES) staff have worked closely with landowners, developers, and retailers to increase retail uses at Catellus Development Corporation's Pacific Commons project and the Central Business

District. Pacific Commons' retail development projects include three major anchor stores that will be open before the end of 2004/05.

Downtown development will take five to ten years. The City has selected a developer interested in building on a key City-owned site in the downtown area. As noted last year, despite the downturn in the technology sector, consumer spending has been stable and the City's retail consultant estimates there are many opportunities for capturing retail dollars that are now spent elsewhere.

During high growth years, the City accumulated significant balances in its development impact fee funds that are intended to build infrastructure and improve amenities in the community. The park development impact fee funds, especially, have accumulated adequate funding for a significant park improvement program. The City Council will develop plans to balance the maintenance and operating cost impacts of acquiring or developing parkland with their long-term plans to improve the City's park system consistent with the standards in the park master plan when the risks related to the State budget deficit have stabilized.

**Cash management and policies.** Cash temporarily idle during the year was invested in obligations of the U.S. Treasury and agencies of the federal government, commercial paper, corporate bonds, banker's acceptances, qualifying mutual funds and the State Treasurer's investment pool. Maturities of the investments range from one day to five years, with an average maturity of 447 days. The average yield on investments not held by fiscal agents was 2.37%. Investment income includes appreciation (decline) in the fair value of investments. The decline in fair value during the current year, however, does not necessarily represent a trend that will continue, nor are such amounts always realized, especially in the case of temporary changes in the fair value of investments that the City plans to hold to maturity.

**Risk management.** The City of Fremont uses a program of self-insurance to reduce its workers' compensation and liability claim costs. The City employs a professional risk manager, a safety officer and staff, supplemented by professional claim administration firms, to minimize losses. The City participates in two multi-agency joint powers authorities to provide excess insurance coverage, one for liability coverage and one for workers' compensation coverage. The joint powers authorities and the City rely on estimates prepared by professional actuaries to set aside funds adequate to meet potential losses. Excess coverage provided by the joint powers authorities cover claims in excess of \$500,000 for general liability claims and claims in excess of \$350,000 for workers' compensation claims. Additional information on the City of Fremont's risk management activity can be found in Note 6 of the notes to the financial statements.

**Pension and other post-employment benefits.** The City provides pension and medical benefits for its public safety and non-safety employees through two contracts with CalPERS. The contracts include benefit levels which the City has negotiated with its employee units and for which it has executed contract amendments with CalPERS. The plans also include some benefit levels approved by the State Legislature without contract amendment and funding mechanisms approved by the CalPERS Board of Administration. The City's contracts are not part of a larger pool and the City is responsible for making contributions needed to fund benefits when employee contributions are not adequate. In the past, City contributions have ranged from 0% to 28.252% of qualifying payroll costs. Portfolio losses in prior years resulted in increased rates in 2003/04. Another significant rate increase will take effect in 2004/05.

The City of Fremont also provides postretirement benefits in the form of limited contributions toward health insurance costs for certain retirees based on the provisions of labor agreements in effect at the date of the employees' retirement. These benefits are generally fixed at the date of retirement and do not increase thereafter. At the end of 2003/04, there were 481 retired employees eligible to receive these benefits, which are financed on a pay-as-you-go basis. Generally accepted accounting principles do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. However, in anticipation of the issuance of new accounting and reporting standards governing these benefits, the City has conducted an actuarial study of these post-employment benefits in order to quantify costs and liabilities.

Additional information on the City of Fremont's pension arrangements and post-employment benefits can be found in Note 8 in the notes to the financial statements.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fremont for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2003. This was the 20th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and legal requirements.

A Certificate of Achievement is valid for one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for 2003/04. This was the seventh consecutive year the City received this prestigious award. In order to qualify for the Distinguished Budget

Honorable Mayor, Members of the City Council and  
Citizens of the City of Fremont, California

December 16, 2004

Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all the members of the departments who assisted and contributed to the preparation of this report. We also want to thank the partners and staff of our auditors for their assistance and support during this difficult year. Credit and thanks, also, to the Mayor and the City Councilmembers for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Fremont's finances.

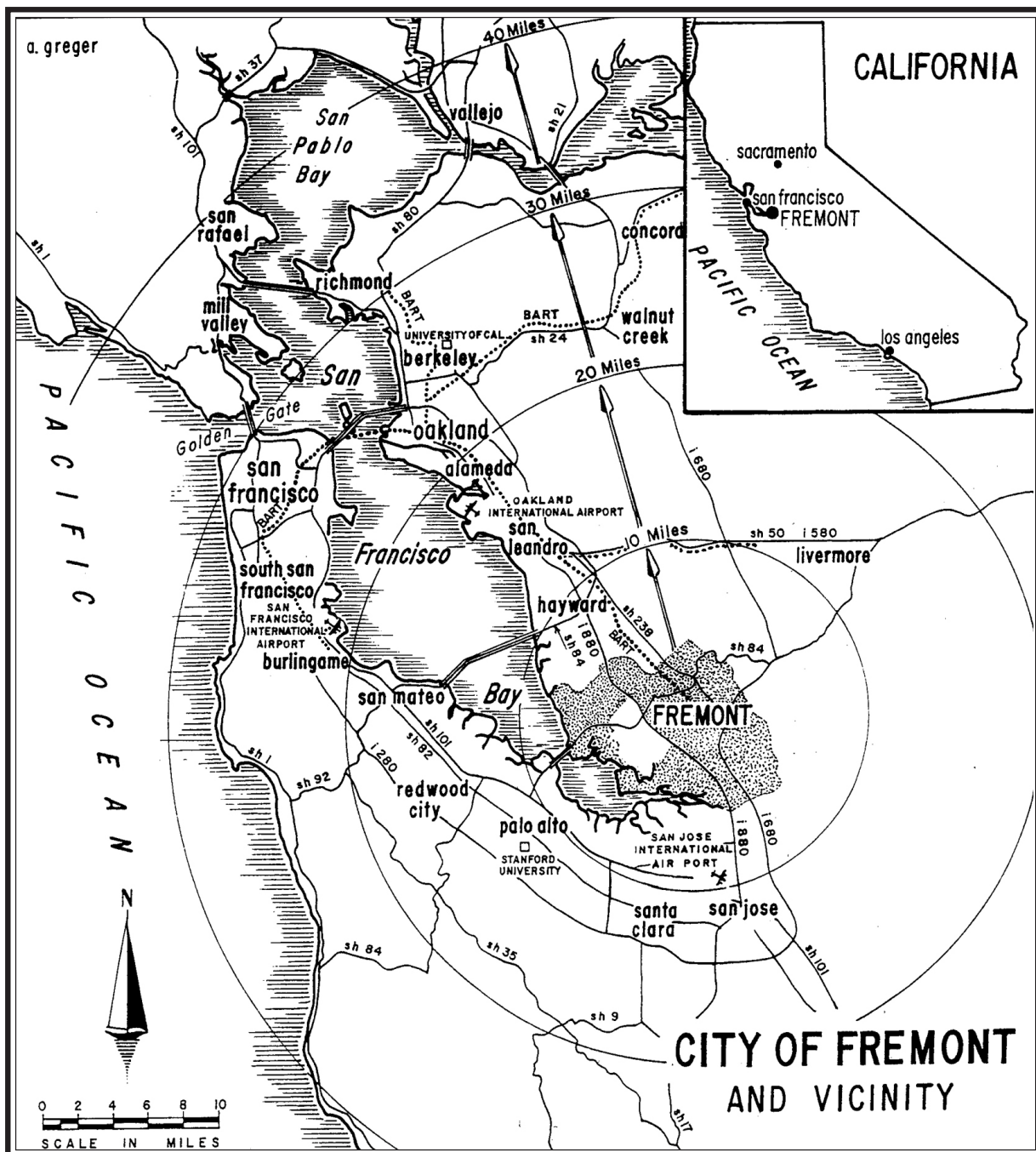
Respectfully submitted,



Harriet V. Commons  
Finance Director



David N. Millican  
Deputy City Manager/Chief Financial Officer



# City of Fremont

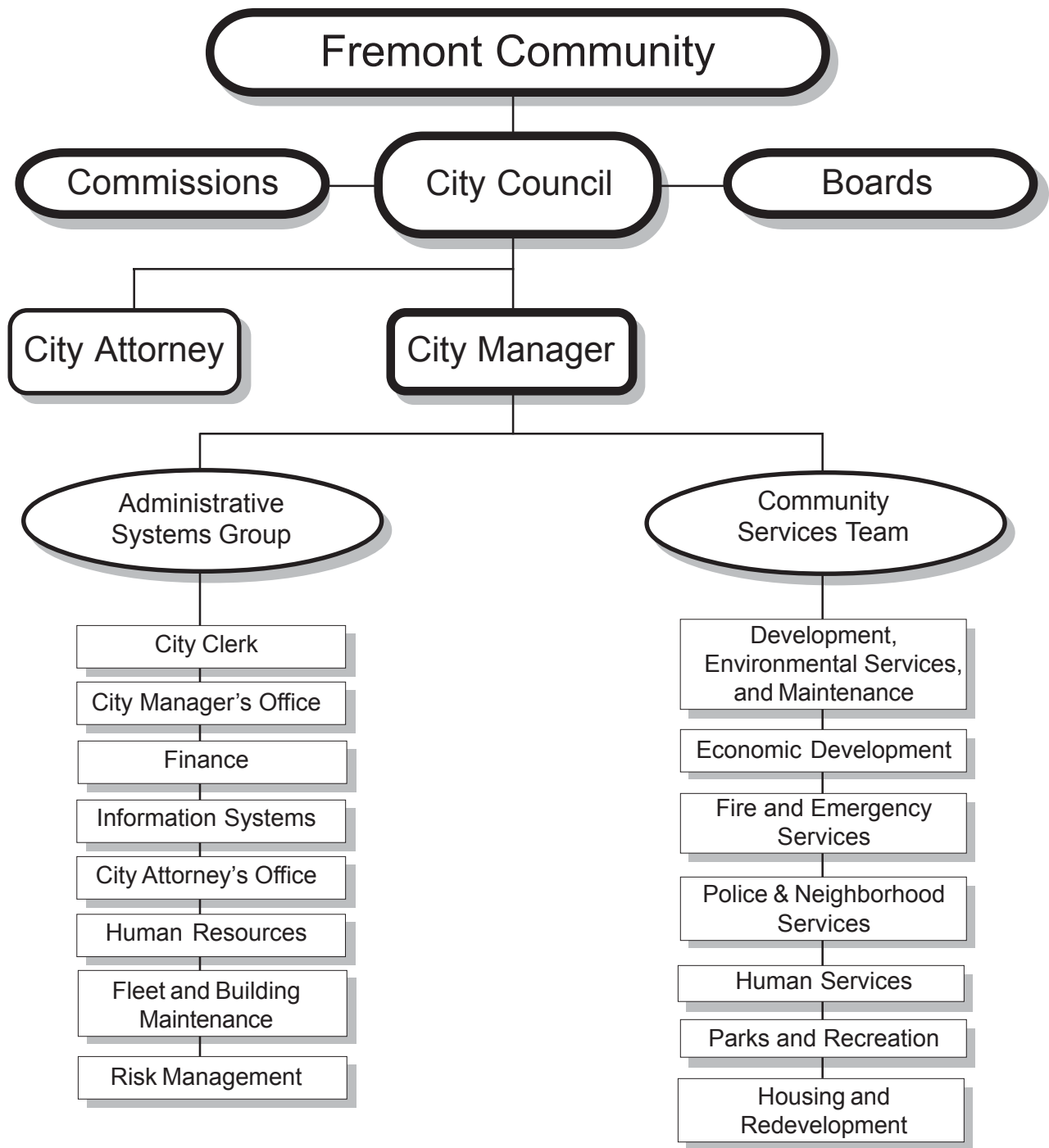
June 30, 2004

## City Council

Mayor	Gus Morrison
Vice Mayor	Steve Cho
Councilmember	Bob Wasserman
Councilmember	Bill Pease
Councilmember	Dominic Dutra

## City Staff

City Manager	Jan Perkins
City Attorney	Harvey Levine
Deputy City Manager/CFO	Dave Millican
Assistant City Manager/Development	Lynn Dantzker
Assistant City Manager/City Clerk	Lynn Macy
Human Resources Director	Nancy Carlson
Finance Director	Harriet Commons
Economic Development Director	Daren Fields
Redevelopment Director	Laura Gonzalez-Escoto
Parks & Recreation Director	Annabell Holland
Information Systems Director	Dave Jensen
Fire Chief	Bill Reykalin
Human Services Director	Suzanne Shenfil
Police Chief	Craig Steckler



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fremont,  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council  
of the City of Fremont  
Fremont, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fremont, California (City), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2004, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as management's discussion and analysis, budgetary information, modified approach for the City's infrastructure, and defined benefit pension plan information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and Members of City Council  
of the City of Fremont  
Fremont, California

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Capricci & Carson*

Oakland, California  
September 23, 2004

**CITY OF FREMONT, CALIFORNIA**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**

This part of the City of Fremont's annual financial report presents management's discussion and analysis of the City's financial activities and performance for the fiscal year ended June 30, 2004. The information presented here should be considered in conjunction with additional information presented in the transmittal letter in the Introductory Section at the front of this report, and the City's financial statements, which follow.

This is the third year the City has prepared its annual financial report in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. As we continue to fine-tune the implementation of those reporting requirements, we have made some reclassifications between line items in the originally presented 2002/03 financial information so that the comparative analysis will be more meaningful. These reclassifications did not materially change amounts reported in the 2002/03 annual financial report, although current assets and current liabilities were reduced by \$5,450,000. There were no changes in noncurrent assets and liabilities, net assets, or the change in net assets reported in that year.

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Fremont exceeded its liabilities at the close of the 2003/04 fiscal year by \$749,924,000 (net assets). Of this amount, \$50,006,000 is unrestricted and may be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The City's total net assets increased by \$8,752,000 as a result of actions taken by the City Council and City Manager to reduce costs and control spending. However, sales tax and investment earnings continued to decline during 2003/04. In addition, the State withheld the VLF backfill for three months (amounting to \$3.5 million), which resulted in the combined total of Motor Vehicle in Lieu and revenue loss mitigation dropping from the prior year's levels. Of the increase in total net assets, \$741,000 is due to developer dedications of infrastructure or right-of-way easements. These revenues are not cash and the related assets cannot be liquidated to pay expenses.
- As of June 30, 2004, the City's governmental funds reported combined ending fund balances of \$276,028,000. Approximately 30% of this total amount (\$84,521,000) is reserved to indicate that it is not available for new spending because it has already been committed either to liquidate contracts and purchase orders of the prior period (\$34,764,000), or to pay debt service (\$49,757,000). The remaining 70%

**City of Fremont, California**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**

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(\$191,507,000) constitutes unreserved fund balance that is available for spending, and has been designated for a variety of specific future uses.

- At the end of the 2003/04 fiscal year, unreserved fund balance for the General Fund was \$36,949,000. Of this amount, \$13,339,000 was designated by City Council policy for use for costs associated with catastrophes and disasters, and \$2,668,000 was designated by City Council policy for start-up costs for future programs with potential to generate revenues sufficient to cover costs and repay the start-up investment. Both of these policies were adopted by the City Council in June 1996. In addition, \$7,906,000 was designated to provide funds to deal with significant levels of financial uncertainty related to the City's economic downturn and the unknown effects of the State budget, \$6,195,000 was appropriated in the 2004/05 operating budget, and (\$1,125,000) was designated for fair value adjustments on the City's investment portfolio for net losses recognized by the City, but not yet realized at June 30, 2004.

The remaining \$7,402,000 is unreserved and undesignated because it was not anticipated at the time the 2004/05 budget was adopted, which was before the 2003/04 books were closed. Had its existence been known at that time, it would have been included in the amount appropriated in the 2004/05 budget. Given the significant budget challenges the City faces over the next five years, this unreserved undesignated fund balance will be factored into the City's financial forecast to help balance future years' budgets and thus mitigate the potential need for future additional service reductions, or capital project deferrals and cancellations.

The City's total capital debt increased by \$7,755,000, net of debt repaid during the year. This was due to the following:

- \$21,930,000 in 2004 variable rate demand certificates of participation (COPs) issued for the repayment and redemption of the City's fixed rate COP 1997 Police Facility Refinancing Project (\$7,600,000) and the fixed rate COP 1998 Capital Improvement Financing Project (\$14,330,000) in order to reduce annual debt service expenditures.
- \$41,425,000 in 2004 housing set-aside tax allocation bonds by the Redevelopment Agency to refinance tax allocation bonds issued in 2000.
- \$10,000,000 in general obligation bonds approved by the voters with the passage of Measure R in November 2002 and issued on July 17, 2003. These funds are to be used to construct replacement fire stations for Station #2 in

**City of Fremont, California**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**

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Niles, Station #6 in Centerville and Station #8 in North Fremont, as well as for structural strengthening of the remaining seven fire stations within the City and the construction of a public safety-training center.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Fremont's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-wide Financial Statements**

The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. They provide information about the activities of the City as a whole and present a longer-term view of the City's finances.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Changes in Net Assets presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, and earned but unused vacation and other compensated leave).

All of the City's activities are considered to be governmental in nature and, as a result, no business-type activities are reported in these statements. Governmental activities are those that are principally supported by taxes and intergovernmental revenues. For the City of Fremont, governmental activities consist of police services, fire services, human services, capital assets maintenance and operations, recreation services, community development and environmental services, and general government administration.

**City of Fremont, California**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**

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The City is the primary government in this report. There are no discretely presented component units. However, these financial statements include three other entities that, although legally separate, are important because the City is financially accountable for them. These component units include the Redevelopment Agency of the City of Fremont, the Fremont Public Financing Authority, and the Fremont Social Services Joint Powers Authority (JPA). These component units have been included as an integral part of the City of Fremont (that is, their accounts are "blended" with those of the City) and they are not reported as separate discrete component units in these financial statements.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Fremont, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For governmental activities, these statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. All of the funds of the City of Fremont can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

***Governmental funds.*** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist the reader with this comparison between governmental funds and governmental activities.

**City of Fremont, California**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**

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The City of Fremont maintains fifty-seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the following funds that are considered to be major funds:

- General Fund
- Redevelopment Agency
- Development Impact Fees
- State Gas Tax
- Integrated Waste Management
- Development Cost Center
- Recreation Services
- Capital Maintenance

Data from the other forty-nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, the Redevelopment Agency, Integrated Waste Management, the Development Cost Center, and Recreation Services. Budgetary comparison statements have been provided as required supplementary information to demonstrate compliance with the budget.

***Proprietary funds.*** The only proprietary funds the City uses are internal service funds, which are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its risk management activities and for its information technology services. Because both of these services exist to benefit governmental functions, they have been included within governmental activities in the government-wide financial statements.

Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The only fiduciary funds the City has are agency funds. The accounting used for these funds is much like that used for governmental funds. These funds are reported in a separate statement of fiduciary net assets.

**City of Fremont, California  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004**

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**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This information includes budgetary comparison schedules, as well as more detailed information about the City's use of the modified approach for certain of its infrastructure assets, and about its participation in the California Public Employees' Retirement System (CalPERS) defined benefit pension plan.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Fremont, assets exceeded liabilities by \$749,924,000 at the close of the 2003/04 fiscal year. In comparison, last year assets exceeded liabilities by \$741,172,000. Information about net assets is presented in the summary table, below:

**SUMMARY OF NET ASSETS  
JUNE 30, 2004 AND 2003  
(dollars in thousands)**

	<u>2004</u>	<u>2003</u>	<u>Percentage Change</u>
Current and other assets	\$ 336,655	\$ 322,747	4.3%
Capital assets	<u>694,000</u>	<u>669,555</u>	3.7%
<b>Total assets</b>	<b><u>1,030,655</u></b>	<b><u>992,302</u></b>	<b>3.9%</b>
Current liabilities	62,568	41,214	51.8%
Noncurrent liabilities	<u>218,163</u>	<u>209,916</u>	3.9%

**City of Fremont, California**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**

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<b>Total liabilities</b>	<b><u>280,731</u></b>	<b><u>251,130</u></b>	<b>11.8%</b>
Net assets:			
Invested in capital assets, net of related debt	476,639	463,205	2.9%
Restricted	223,279	233,207	( 4.3%)
Unrestricted	<u>50,006</u>	<u>44,760</u>	11.7%
<b>Total net assets</b>	<b><u>\$ 749,924</u></b>	<b><u>\$ 741,172</u></b>	<b>1.2%</b>

By far, the largest portion of the City's net assets (63%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. This amount increased this year because proceeds of debt issued in prior years were used in 2003/04 for capital asset acquisition and construction. The amount of net assets invested in capital assets, net of related debt, is reported as a distinct component of net assets because this amount is not available for future spending. In addition, although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (30%) represents resources that are subject to external restrictions on how they may be used. This amount decreased because of a reduction in the amount of unspent debt proceeds. The remaining balance of unrestricted net assets (7%) may be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Current liabilities increased because of \$15,262,000 in tax and revenue anticipation notes (TRANs) outstanding at June 30, 2004 that will be repaid in October 2004. No TRANs were outstanding at June 30, 2003.

**City of Fremont, California**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**

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The City's net assets increased by \$8,752,000 (1.2%) during the current fiscal year. Information about changes in net assets is presented in the summary table, below:

**SUMMARY OF CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**  
**(dollars in thousands)**

	<u>2004</u>	<u>2003</u>	<u>Percentage Change</u>
<b>Revenues:-</b>			
Program revenues:			
Charges for services	\$ 24,769	\$ 21,320	16.2%
Operating grants and contributions	20,515	18,997	8.0%
Capital grants and contributions	741	5,400	( 86.3%)
General revenues:-			
Intergovernmental:			
Allocated property tax	63,386	60,328	5.1%
Allocated sales tax	26,797	28,203	( 5.0%)
Motor vehicle in lieu	3,813	4,010	( 4.9%)
Revenue loss mitigation	5,728	8,004	( 28.4%)
Other	470	719	( 34.6%)
Other taxes and fees	22,696	18,055	25.7%
Investment earnings	3,439	10,185	( 66.2%)
Miscellaneous and other	<u>1,856</u>	<u>792</u>	134.3%
<b>Total revenues</b>	<b><u>174,210</u></b>	<b><u>176,013</u></b>	<b>( 1.0%)</b>
<b>Program expenses:</b>			
General government	10,332	12,466	( 17.1%)
Police services	39,157	38,441	1.9%
Fire services	23,593	24,182	( 2.4%)
Human services	5,479	5,782	( 5.2%)
Capital assets maintenance and operations	35,063	39,336	( 10.9%)
Recreation services	5,236	5,382	( 2.7%)
Community development and environmental services	29,902	29,760	0.5%
Intergovernmental	8,941	6,372	40.3%
Interest on debt	<u>7,755</u>	<u>7,458</u>	4.0%
<b>Total program expenses</b>	<b><u>165,458</u></b>	<b><u>169,179</u></b>	<b>( 2.2%)</b>
<b>Increase in net assets</b>	<b>8,752</b>	<b>6,834</b>	<b>28.1%</b>
Net assets, beginning of year	<u>741,172</u>	<u>734,338</u>	0.9%
<b>Net assets, end of year</b>	<b><u>\$ 749,924</u></b>	<b><u>\$ 741,172</u></b>	<b>1.2%</b>

**City of Fremont, California**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**

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Although net assets increased this fiscal year, this increase was due to decreased expenses, rather than increased revenues, which overall declined by 1%. The City's revenues generally continued to soften during 2003/04 as the recession recovery continued to elude Fremont and the Silicon Valley, although there were a few bright spots.

**Revenues.** Charges for services increased by \$3,449,000 (16.2%) over the prior year, primarily due to increased development activity within the Development Cost Center, largely attributable to the Catellus Pacific Commons project, and \$1,700,000 resulting from a new recycling disposal fee.

Operating grants and contributions increased \$1,518,000 (8.0%) over the prior year, primarily due to increases in grants and contributions for street maintenance projects, paratransit services and an increase in Community Development Block Grant revenues, as well as by a variety of relatively minor increases in other grant funding sources throughout the organization.

Capital grants and contributions consist of developer dedications of right-of-way easements this amount decreased by \$4,659,000 because development activity dropped off, and infrastructure serving the new Pacific Commons project was not yet ready for acceptance by the City.

The City's allocated property tax continued to exhibit modest growth. This is largely attributable to low mortgage interest rates continuing to support the residential real estate market. However, the City continues to watch a possible softening of property tax revenues in the commercial real estate sector as the economic downturn continues to affect Fremont's businesses and those who provide goods and services to those businesses. Although gross assessed valuation for secured property increased 5.9% from 2002/03 to 2003/04, that for unsecured personal property decreased by 10.8%. Unsecured personal property represents 5.9% of the 2003/04 total gross assessed valuations.

Allocated sales tax continued its downward trend. The \$1,406,000 decrease in 2003/04 is on top of a \$993,000 decrease in 2002/03. The bulk of this decrease has been in business to business sales – further evidence of the economic decline in Silicon Valley.

Revenue loss mitigation decreased by \$2,276,000 (28.4%) because the State withheld VLF backfill payments for the last 10 days of 2002/03 and the first three months of 2003/04 as the State struggled to resolve its own budget problems. The State has promised to repay cities the value of this revenue loss in August 2006. As a result,

**City of Fremont, California**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**

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Fremont has a contingent revenue receivable of \$3,544,000 that is not reflected in these financial statements.

Other taxes and fees consists of the following (dollars in thousands):

	<u>2003/04</u>	<u>2002/03</u>	<u>Percentage Change</u>
Business tax	\$ 5,324	\$ 5,599	( 4.9%)
Other taxes	3,380	2,896	16.7%
Development impact fees	6,988	2,687	160.1%
Franchises	<u>7,004</u>	<u>6,873</u>	1.9%
<b>Total</b>	<b><u>\$ 22,696</u></b>	<b><u>\$ 18,055</u></b>	<b>25.7%</b>

The City's business tax remained relatively stable after taking into account a one-time \$369,000 refund due to a company's inadvertent overpayment of its business tax related to a business acquisition. The large increase in development impact fee collections reflects the increased level of development activity, primarily the Catellus Pacific Commons project.

Investment earnings decreased because of declining interest rates over the course of the year, along with a \$3,500,000 drop in the fair market value of the City's investments. In 2002/03, the average portfolio yield was 3.00%. In 2003/04, it was 2.37%, a decline of 21%.

The significant increase in miscellaneous and other revenue is attributable to some significant one-time revenues in 2003/04. Chief among these were the following:

- \$500,000 from Catellus in partial exchange for an amendment to the Pacific Commons development agreement whereby the City relinquished its option to purchase land for a business conference center.
- \$400,000 in Community Development Block Grant Loan repayments that are used as program income to fund future CDBG programs or projects.

**Program Expenses.** The prospect of reduced revenue growth first became apparent in early 2001/02, and the City acted to immediately curb spending. Since 2001/02, program expenses have declined 5.6%, from \$175,163,000 in 2001/02 to \$165,458,000 in 2003/04. Because of continuing revenue uncertainty, department budgets were reduced 2% on average in 2002/03, compared to 2001/02 levels. The revenue picture continued to worsen, and at midyear 2002/03, departments were instructed to cut spending by roughly 10% in the City's General Fund so that the City would not spend

**City of Fremont, California**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**

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beyond its means in 2002/03 and to position the organization for continued revenue uncertainty in 2003/04. In February 2003, the City Manager recommended and the City Council approved a Four Point Plan for restoring the City's fiscal health and closing the gap between expenditures and revenues. The plan included reducing expenditures, making sure fees were charged where possible and at an appropriate level, expanding retail recruitment efforts, and exploring tax increases.

The revenue picture continues to be under pressure. With the adoption of the 2003/04 budget, the City cut spending by roughly 20% in the City's General Fund so that the City would not spend beyond its means in 2003/04. This included laying off valuable staff because 224 positions were eliminated, about half of which were filled, and cutting important programs in all areas, including public safety and maintenance. The result of these actions is the overall 2.2% reduction in actual program expenses funded by all revenue sources throughout the organization.

Economic factors and next year's budget are discussed in more detail later in this discussion and analysis.

Information about the total and net cost of governmental activities is presented below:

**TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**  
**(dollars in thousands)**

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2004</u>	<u>2003</u>	<u>% Change</u>	<u>2004</u>	<u>2003</u>	<u>% Change</u>
Police services	\$ 39,157	\$ 38,441	1.9%	\$ 33,481	\$ 33,233	0.7%
Fire services	23,593	24,182	( 2.4%)	20,734	21,655	( 4.3%)
Human services	5,479	5,782	( 5.2%)	2,250	2,713	(17.1%)
Capital assets maintenance and operations	35,063	39,336	(10.9%)	18,279	19,405	( 5.8%)
Recreation services	5,236	5,382	( 2.7%)	1,745	2,075	(15.9%)
Community development and environmental services	29,902	29,760	0.5%	16,414	18,671	(12.1%)
General government	10,332	12,466	(17.1%)	9,834	11,879	(17.2%)
Other	<u>16,696</u>	<u>13,830</u>	20.7%	<u>16,696</u>	<u>13,830</u>	20.7%
<b>Total</b>	<b><u>\$ 165,458</u></b>	<b><u>\$ 169,179</u></b>	<b>( 2.2%)</b>	<b><u>\$ 119,433</u></b>	<b><u>\$ 123,461</u></b>	<b>( 3.3%)</b>

Although police services expenses grew modestly this year, the actual amount spent on police services has actually decreased 3.0% since 2001/02, when the total cost of police services was \$40,366,000. Similarly, fire services expenses decreased 3.3% since

**City of Fremont, California**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**

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2001/02, when the total cost of fire services was \$24,387,000. The actual service impact of these expense reductions is more severe than one might expect because the CalPERS employer contribution rate for public safety increased from 11.335% of covered payroll in 2002/03 to 13.092% in 2003/04, an increase of 15.5%. For employees other than public safety employees, the contribution rate increased from 4.506% in 2002/03 to 7.252% in 2003/04, an increase of 60.9%.

Human services expenses decreased despite an increase in charges for services and operating grants because of a reduction in General Fund support.

In spite of increased operating grants and contributions for capital assets maintenance and operations, expenses in this function continued to decline because general tax support was not available due to the City's weakening revenue situation. Since 2001/02, the total cost of capital assets maintenance and operations has decreased 25.6% (from \$47,109,000 in 2001/02), and the net cost has decreased 41.5% (from \$31,263,000). Maintenance of the City's capital assets is an important priority, and staff continues to work to find and deploy funding in the most effective way possible. This decrease in both total cost and net cost has potentially significant implications for the long-term if this trend continues.

Recreation services expenditures decreased in response to the economic downturn and decreased demand for classes, combined with a reduction in general tax support from the General Fund. Since 2001/02, the total cost of recreation services has decreased 16.7% (from \$6,110,000 in 2001/02), and the net cost has decreased 33.8% (from \$3,133,000).

Community development and environmental services held steady because of development activity at the Pacific Commons project, as reflected by the fact that total cost of services was relatively unchanged, but the net cost of services declined because of increased charges for services.

The total cost of general government services decreased significantly as the City continued to reduce expenses throughout the organization. Since 2001/02, the total decrease has been 18.5% (from \$12,678,000 in 2001/02).

The cost of other services increased because of tax increment pass-through payments from the redevelopment agency to other taxing entities (\$8.9 million in 2003/04, compared to \$6.4 million in 2002/03). The standard amount of these pass-through payments is \$7.6 million each year. In 2002/03, this amount was offset by the final use of a sinking fund established for this purpose. In 2003/04, in addition to the normal

**City of Fremont, California**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**

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pass-through payments, the redevelopment agency also had to pay \$1.3 million to the State's Education Revenue Augmentation Fund (ERAF).

Economic factors and next year's budget are discussed in more detail later in this discussion and analysis.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Fremont's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2003/04, the City's governmental funds reported combined ending fund balances of \$276,028,000, a decrease of \$12,155,000 from the prior year. Approximately 30% of this total amount (\$84,521,000) is reserved to indicate that it is not available for new spending because it has already been committed either to liquidate contracts and purchase orders of the prior period (\$34,764,000), or to pay debt service (\$49,757,000). The remaining 79% (\$191,507,000) constitutes unreserved fund balance that is available for spending, and it has been designated for a variety of specific future uses.

The following are the major funds that either qualified under the reporting criteria or were considered to be important to financial statement users:

**General Fund** – The General Fund is the chief operating fund of the City of Fremont. At the end of 2002/03, total fund balance was \$34,060,000, of which \$33,609,000 was unreserved. At the end of 2003/04, total fund balance was \$36,949,000, of which \$36,386,000 was unreserved. Of this unreserved amount, \$13,339,000 (12.5% of budgeted expenditures and transfers out) was designated by City Council policy for use for costs associated with catastrophes and disasters, and \$2,668,000 (2.5% of budgeted expenditures and transfers out) was designated by City Council policy for start-up costs for future programs with potential to generate revenues sufficient to cover costs and repay the start-up investment. Both of these policies were adopted by the City Council in June 1996. In addition, \$7,906,000 was earmarked to provide funds to deal with significant levels of financial uncertainty related to the Silicon Valley economic downturn and the unknown effects of the ongoing State budget crisis, \$6,195,000 was appropriated in the 2004/05 operating budget, and (\$1,125,000) was

**City of Fremont, California**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**

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designated for fair value adjustments on the City's investment portfolio for net losses recognized by the City, but not yet realized at June 30, 2004.

The remaining \$7,402,000 is unreserved and undesignated because it was not anticipated at the time the 2004/05 budget was adopted, which was before the 2003/04 books were closed. This is because the final payments for both property tax and sales tax were slightly more than anticipated (an indication that economic recovery may finally be on the way), and because departments closed out the year spending less than expected when those estimates were prepared in the spring of 2004. Had the existence of this additional fund balance been known at that time, it would have been included in the amount appropriated in the 2004/05 budget. Given the significant budget challenges the City faces over the next five years, this unreserved undesignated fund balance will be factored into the City's financial forecast to help balance future years' budgets and thus mitigate the potential need for future additional service reductions, or capital project deferrals and cancellations.

The fund balance of the City's General Fund increased by \$2,889,000 during the 2003/04 fiscal year. Key factors in this increase are as follows:

- Revenues (primarily sales and property tax) and transfers in were 0.12% better than projected. Positive results for property and sales tax were offset by the State's withholding of \$3,544,000 in so-called motor vehicle license fee (VLF) backfill revenue for the first three months of 2003/04 as part of its own budget balancing efforts. This withheld amount will supposedly be repaid by the State in August 2006. Charges for services were also better than projected, but this increase only served to offset the declines in other revenue sources. In all, revenues were within 0.12% (\$126,000) of budgeted projections.
- Expenditure savings and reduced transfers out helped mitigate some of the revenue challenges, with a reduction of 6.1%. This was due to a restructuring of fixed rate debt to variable rate debt, which saved the City \$3.5 million, and \$3.0 million in additional expenditure savings by departments, in addition to the significant budget reductions they had already taken over the past two years.
- The 2003/04 adopted budget included a planned use of \$3.8 million of beginning fund balance to help mitigate the softening of the economy and allow for an orderly transition to reduced staffing and service levels, as well as to provide funding for the downtown plan. This planned use actually wound up being not being necessary due to prompt and effective action taken to reduce expenditures as the revenue picture remained stagnant, both in the form of savings from restructuring debt and reduced operational expenditures.

**City of Fremont, California**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**

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***Redevelopment Agency*** - The Redevelopment Agency is responsible for removing barriers to economic development caused by inadequate transportation infrastructure, and for encouraging development in underperforming historic commercial districts in the City. The Agency's operations and capital projects are funded primarily by annual property tax increment revenue of approximately \$27 million and the proceeds of \$50 million in debt issued in 2000, to be repaid out of the property tax increment revenue generated by increases in property assessed values in the redevelopment project areas. The Agency started paying principal on this debt in 2001/02. On June 5, 2004, the Agency issued tax allocation bonds in the amount of \$41,425,000 to finance and refinance certain redevelopment activities, including refunding the 2000 tax allocation bonds.

Out of the \$110,076,000 fund balance, \$45,558,000 is reserved for debt service payments, \$17,053,000 is reserved for payments related to outstanding contracts and purchase orders, \$26,314,000 is designated for low and moderate income housing, \$11,077,000 is designated for capital projects, and \$10,074,000 is designated for other redevelopment purposes.

***Development Impact Fees*** - This fund represents the aggregate total of park dedication fees, park facility fees, fire impact fees, traffic impact fees and capital facility fees. The fees are levied on all new development in the City to pay for the construction and improvement of public facilities as a result of growth. Fees collected in 2003/04 were 160% more than the amount collected in 2002/03. This increase in annual collections is largely due to development activity at Pacific Commons, where significant progress was made during 2003/04 towards completion of 700,000 square feet of new retail development. During 2003/04, 92% of this fund's expenditures (\$4,671,000) were for traffic-related impacts, 8% (\$399,000) were for park related projects and \$2,109,000 was transferred to other funds for use in mitigating additional traffic-related impacts.

Because these funds are collected for construction or improvements of public facilities, the unreserved fund balance of \$39,480,000 is fully designated for capital projects, of which \$28,000,000 is related to park development. However, it has not yet been spent because of the operational maintenance impacts of adding new parks. These projects have been delayed until the economy improves and sufficient operating revenues exist to ensure that park facilities can be adequately and appropriately maintained.

**City of Fremont, California**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**

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*State Gas Tax* – This fund is used to account for all of the gas tax receipts from the State. Normally these funds are used for the maintenance of City streets. Gas tax expenditures generally fell into four broad categories, as follows (dollars in thousands):

	<u>2003/04</u>	<u>2002/03</u>
Pavement overlays and slurry sealing	\$ 1,185	\$ 1,866
Street construction	961	167
Street and median maintenance	1,250	735
Traffic signal construction and maintenance	749	1,060

Cape sealing expenditures of \$848,000 were incurred in 2003/04. However, they were funded with Measure B and ACTIA monies, rather than gas tax.

The total fund balance of this fund at June 30, 2004, is \$7,264,000, which is designated for future street maintenance.

*Integrated Waste Management* – This fund was established to account for monies received by the City to comply with the provisions of Assembly Bill (AB) 939, addressing recycling, household hazardous waste, and solid waste management issues. These revenues may only be spent for integrated waste management and waste reduction purposes. The City is currently in the process of completing environmental assessments for a new materials recycling facility and a transfer station, and negotiating a new disposal agreement. Funds have been accumulated to offset a portion of these costs, and to reduce the need for rate increases related to higher costs of operations of the new facilities. The unreserved fund balance of \$7,316,000 is designated for integrated waste management and waste reduction purposes and transition costs associated with the closure of the existing landfill.

*Development Cost Center* – This fund was established to account for the transactions and activities related to development services of the City, including engineering, planning, and building and construction inspection activities. Its customers are not only the development community, but also the City itself for its own capital projects. Fees collected in this cost center are used for the benefit of the fee payers.

Development activity is increasing as the recessionary effects begin to fade. In 1999/00 and 2000/01, the total dollar valuation for building permits averaged \$357,400,000. In 2001/02, the total dollar valuation dropped to \$239,133,000. In 2002/03, the total dollar valuation dropped still further, to \$181,799,000. However, in 2003/04, the total dollar valuation increased to \$241,257,000. A large portion of this is

**City of Fremont, California**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**

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development occurring at Pacific Commons. At the end of 2003/04, unreserved fund balance totaled \$3,422,000, up from \$3,035,000 in the prior year. This fund balance will be used to ensure continuity of critical development services.

***Recreation Services*** – This fund was established to account for the transactions and activities related to the delivery of recreation services. Fees collected for recreation services are used for the development of programs and facilities benefiting fee payers. At the end of the 2003/04 fiscal year, unreserved fund balance was \$6,394,000, up from \$6,151,000 in the prior year, largely due to salary savings and unprogrammed interest income. In addition, every effort is made to ensure that services offered are those the community wants. This fund balance will be used to develop or maintain recreation facilities and preserve the continuity of recreation services during the remainder of the economic downturn. In addition, part of the fund balance is planned for a water play facility that will replace the Swim Lagoon in Central Park.

***Capital Maintenance*** – This fund is used to maintain and operate the capital assets of the City. Primary functions include maintenance of City streets, parks, public buildings, vehicles, medians and trees. Its resources consist of transfers from the General Fund, as well as Integrated Waste Management and Gas Tax funds. At June 30, 2004, this fund had a total fund balance of \$2,217,000, of which \$1,970,000 was unreserved, but designated for future capital maintenance needs.

***Other Governmental Funds*** – These are nonmajor funds of the City and are presented in the basic financial statements in the aggregate. At June 30, 2004, these funds had a total fund balance of \$58,889,000, of which \$16,542,000 is reserved for encumbrances (\$12,342,000) and debt service (\$4,200,000). The remaining \$42,347,000 is unreserved. A significant portion of these funds is designated for capital projects (\$33,136,000 or 78%). More information about these aggregated nonmajor funds can be found in the combining statements immediately following the required supplementary information.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

A summary of the budgetary comparison schedule for the General Fund, located in the required supplementary information following the notes to the financial statements, is as follows:

City of Fremont, California  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004

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**SUMMARY OF GENERAL FUND BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2004  
(dollars in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
<b>Beginning fund balance, July 1, 2003</b>	<b>\$ 28,617</b>	<b>\$ 28,617</b>	<b>\$ 34,060</b>	<b>\$ 5,443</b>
Resources:				
Revenues	96,661	96,668	96,803	142
Transfers in	<u>6,741</u>	<u>6,741</u>	<u>6,725</u>	<u>( 16)</u>
<b>Total amount available for appropriation</b>	<b><u>103,402</u></b>	<b><u>103,409</u></b>	<b><u>103,528</u></b>	<b><u>119</u></b>
Charges to appropriations:				
Expenditures	77,643	77,614	73,787	3,827
Transfers out	<u>29,638</u>	<u>30,079</u>	<u>26,852</u>	<u>3,227</u>
<b>Total charges to appropriations</b>	<b><u>107,281</u></b>	<b><u>107,693</u></b>	<b><u>100,639</u></b>	<b><u>7,054</u></b>
Resources over (under) charges to appropriations	<u>( 3,879)</u>	<u>( 4,284)</u>	<u>2,889</u>	<u>7,173</u>
<b>Ending fund balance, June 30, 2004</b>	<b><u>\$ 24,738</u></b>	<b><u>\$ 24,333</u></b>	<b><u>\$ 36,949</u></b>	<b><u>\$ 12,616</u></b>

Differences between the original budget and the final amended budget are due primarily to the reappropriation of encumbrances outstanding at June 30, 2003.

Between the time the 2003/04 budget was adopted and the books for the prior fiscal year (2002/03) were closed, the fund balance at June 30, 2003 increased by an unexpected \$5,443,000. This was because of unanticipated growth in sales and property tax revenues in the final quarter of 2002/03.

Allocated sales tax is the City's second largest source of revenue, and it can be volatile in an uncertain economy. Revenue volatility, while common to cities nationwide, is exacerbated in the Bay Area, especially in Silicon Valley communities that rely heavily on high-tech, business-to-business sales, as Fremont does. Our actual allocated sales tax revenue for 2003/04 was \$26,796,000, which is 4.7% more than budgeted, but \$1,406,000 less than actual sales tax collections in 2002/03. The continued decline in sales tax collections is of concern of the City. However, the positive increase from the budget is an indication that the City's sales tax may have stopped declining and may be returning to historic growth patterns.

**City of Fremont, California**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**

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Offsetting the higher than expected collections of sales tax is action by the State to withhold \$3,544,000 in Vehicle License Fee (VLF) backfill money for the first three months of the fiscal year. Although the State has promised to repay these monies in 2006/07, the actual revenue received during 2003/04 was reduced. In addition, with the continuing projected deficits in the State budget, the actual receipt of these monies is uncertain.

Because of the continued uncertainty in the City's economic situation, City management took actions early in 2003/04 to aggressively manage spending. This resulted in expenditures and transfers out for 2003/04 coming in at 6.2% below budgeted levels. This allowed the General Fund to end 2003/04 with an operating surplus of \$2,889,000, rather than the operating deficit of \$4,284,000 that was anticipated. This was achieved by restructuring existing debt from fixed rate to variable rate to realize savings of approximately \$3.5 million, as well as continued spending reductions of \$3.0 million (in addition to significant budget cuts already taken prior to the start of 2003/04). This improves the City's ability to deal with the continuing prospect of a structural imbalance between resources and use of those resources, and continued uncertainty about the State budget and its implications for the future.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

Following is a summary of the City of Fremont's capital assets at June 30, 2004 and 2003:

**SUMMARY OF CAPITAL ASSETS**  
**JUNE 30, 2004 AND 2003**  
**(dollars in thousands)**

	<u><b>2004</b></u>	<u><b>2003</b></u>	<u><b>Percentage</b></u> <u><b>Change</b></u>
Land	\$ 186,423	\$ 172,352	8.2%
Land improvements	5,260	5,260	-
Infrastructure - non-depreciable	366,649	366,649	-
Infrastructure - depreciable	317,013	316,271	0.2%
Buildings and improvements	79,674	79,628	0.1%
Equipment	12,040	11,102	8.4%
Vehicles	23,591	24,476	( 3.6%)
Construction in progress	<u>55,937</u>	<u>42,618</u>	31.3%
	1,046,587	1,018,356	2.8%
Less: Accumulated depreciation	<u>352,587</u>	<u>348,801</u>	1.1%

**City of Fremont, California**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**

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**Governmental activities capital assets, net      \$ 694,000      \$ 669,555      3.7%**

The City's investment in capital assets for its governmental activities as of June 30, 2004, amounts to \$694,000,000 (net of accumulated depreciation), compared to \$669,555,000 in the prior year. This investment in capital assets includes land and land improvements, buildings, equipment, vehicles, streets, curbs and gutters, and construction in progress.

In 2003/04, the City added \$29,743,000 in new capital assets, and disposed of \$1,512,000 in capital assets (all vehicles). The major additions consisted of the acquisition of land (\$14 million), primarily for the Washington Boulevard grade separation project (\$11 million), and ongoing construction costs on the City's new Maintenance Center (\$7 million) and the solid waste transfer station (\$2 million).

The City has adopted the modified approach for its roads and streets, which means that these capital assets are not required to be depreciated if certain conditions (as described in Item 2 of the Required Supplementary Information following the notes to the financial statements) are met. The City's policy is to achieve an average Pavement Condition Index (PCI) rating of 70 for all its roads and streets. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds. At June 30, 2004, the City's roads and streets system was rated at an average PCI index of 74, down from the average PCI index of 79 in the prior year.

The maintenance estimate for 2003/04 to maintain an average PCI rating of 74 was \$5,500,000. Actual expenditures for that period were \$2,393,000. The difference between the estimate and actual expenditures is attributable to the fact that maintenance estimates are projected over a number of years and then divided by that number of years to calculate an average. In reality, the actual expenditure of money varies from year to year, depending on the nature of the work to be done and the size and number of contracts awarded for that work.

Additional information about the City's capital assets can be found in Note 1.G and Note 4, following the basic financial statements.

### **Long-term Debt**

At the end of 2003/04, the City had \$214,105,000 in bonds and notes outstanding. Of this amount, \$62,505,000 are tax increment notes issued by the Redevelopment

**City of Fremont, California**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**

Agency, \$141,600,000 are certificates of participation and \$10,000,000 are general obligation bonds. Following is a schedule of outstanding debt:

**SUMMARY OF LONG-TERM DEBT**  
**JUNE 30, 2004**  
**(dollars in thousands)**

	<u>Balance July 1, 2003</u>	<u>Incurred or Issued</u>	<u>Satisfied or Matured</u>	<u>Balance June 30, 2004</u>
<b>Redevelopment Agency Tax Allocation Bonds:</b>				
Series 2000	\$ 44,645	\$ -	\$ 41,610	\$ 3,035
Series 2003	18,045	-	-	18,045
Series 2004	-	41,425	-	41,425
<b>General Obligation Bonds</b>				
Fire Safety Bonds 2003	-	10,000	-	10,000
<b>Certificates of Participation (COPs):</b>				
1990 Public Financing Authority	5,500	-	300	5,200
1991 Public Financing Authority	4,100	-	100	4,000
1997 Public Financing Authority	7,600	-	7,600	-
1998 Public Financing Authority	11,790	-	220	11,570
1998 Public Financing Authority	14,330	-	14,330	-
1998 Public Financing Authority	18,605	-	495	18,110
2001 Public Financing Authority	34,860	-	640	34,220
2001B Public Financing Authority	10,055	-	305	9,750
2002 Public Financing Authority	36,820	-	-	36,820
2003 Public Financing Authority	<u>-</u>	<u>21,930</u>	<u>-</u>	<u>21,930</u>
<b>Total</b>	<b><u>\$ 206,350</u></b>	<b><u>\$ 73,355</u></b>	<b><u>\$ 65,600</u></b>	<b><u>\$ 214,105</u></b>

New debt was issued during the year, as follows:

- The Redevelopment Agency issued tax allocation bonds for \$41,425,000 to finance and refinance certain redevelopment activities, including refunding a portion of the tax allocation bonds issued in 2000.
- General obligation bonds were issued for \$10,000,000, the first such issuance resulting from the \$51,000,000 Fire Safety Bond Measure (Measure R) approved by the voters in November 2002.
- Variable rate certificates of participation for \$21,930,000 were issued to refinance and restructure two of the City's outstanding fixed rate COPs. This resulted in debt service savings to the City of \$3.5 million.

**City of Fremont, California**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**

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Forty-two percent of the outstanding debt is in fixed rate instruments (compared to 50% in the prior year), with an average interest rate of approximately 3.36% (compared to 4.57% in the prior year). The remaining 58% of the outstanding debt is in variable rate notes with an average interest rate of 1.07% as of June 30, 2004 (compared to 1.44% in the prior year). The average interest rate on all outstanding City debt is 2.53% at June 30, 2004 (compared to 2.75% for the prior year).

The City Council adopted a debt policy in February 1996 that limits debt obligations of the General Fund to 7% of budgeted expenditures and transfers out. As of July 1, 2004, debt obligations were approximately 3.8% of budgeted expenditures and transfers out, which is well within the policy limit.

As of June 30, 2004, the three largest outstanding debt obligations were:

- \$41,425,000 in Redevelopment Agency tax allocation bonds. These bonds were issued in 2003/04, as described above, and the proceeds refunded a significant portion of the tax allocation bonds issued in 2000. The primary purpose of the 2000 tax allocation bonds was to refinance the freeway interchanges on Interstate 880 at Dixon Landing Road and Mission Boulevard/Warren Avenue, and a grade separation at Washington Boulevard. The purpose of the Washington Boulevard grade separation is to improve safety, relieve traffic congestion, and accommodate a Bay Area Rapid Transit (BART) extension to Warm Springs and eventually to San Jose.
- \$34,220,000 in capital COPs issued in 2001 to finance the following:
  - A police detention and property evidence storage facility
  - HVAC improvements to the existing police building
  - Retiring notes used to purchase land for a potential city hall site
  - Acquisition of and improvements to new city offices at 3300 Capitol Avenue
  - Acquisition of a site to be used for future construction of the City's Fire Station 11 in the southern Industrial Area. Construction was to be funded with a separate COP issue, but has been deferred due to the City's current budget challenges and related reductions in operating expenditures.
- \$36,820,000 in capital COPs issued in 2002 to finance construction of the new Maintenance Center, to refinance the 1997 COPs issued to acquire the land for the new Maintenance Center, pay for seismic retrofit costs at the Development Services Center, and to fund certain development costs of the proposed Northgate Senior and Community Center (which has also been deferred due to

**City of Fremont, California  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004**

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the City's current budget challenges and related reductions in operating expenditures).

All of the issues summarized above are backed by either a stand-by letter of credit or bond insurance. All of the debt issues backed by a letter of credit have an A+ rating from Standard & Poor's. All of the debt issues backed by bond insurance are rated AAA by Standard & Poor's.

In November 2002, Fremont voters approved Measure R by 74.4%, thereby authorizing the City to issue \$51 million in general obligation bonds, to be repaid by a property tax levy. Proceeds from these bonds will be used to replace three fire stations, build a public safety training center, and make remodeling and seismic improvements to seven existing fire stations. The first issue of these bonds, in the amount of \$10 million, was sold in July 2003. These general obligation bonds were rated AA- by Standard & Poor's.

Additional information about the City's long-term debt can be found in Note 5, following the basic financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Fremont's economy is part of the Silicon Valley. Between the end of calendar year 2000 and calendar year 2002, the City saw its sales tax drop by 21%. Neighboring Santa Clara County and its cities saw a drop of 27%. This contrasts with Southern California's Inland Empire, where Riverside County saw an increase of 14% in sales tax in the same period. This severe downturn in Silicon Valley resulted in the loss of 200,000 jobs. The Silicon Valley Manufacturers' Group, in its annual forecast for 2004, has predicted that employment will not return to 2000 levels until 2010. Although the decline in Fremont's sales tax continued through 2003/04, information received at the end of 2003/04 indicates that the local economy may have stopped its decline and stronger economic performance may be possible in 2004/05.

Locally, the City faces two major challenges. First, the economic downturn continues to have a heavy impact on business-related revenues. The City's dependence on non-retail sales tax and other business-related revenues grew over the past several years, leaving the City's budget vulnerable to a business-led economic downturn like the dot-com collapse. This hurts the City's ability to provide basic services. Particularly troubling is the fact that the City and other local governments in the region now face increased demand for emergency preparedness and support of homeland defense measures. Although the City received some positive economic news at the end of

**City of Fremont, California**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**

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2003/04, management remains cautious about the reports of economic recovery and anticipates any recovery to be moderate.

The second challenge is related to the State's severe budget problems. Seventy-eight percent of the City's general revenue and 74% of its General Fund revenue are comprised of property, sales and vehicle tax allocations controlled by the State Legislature. Fremont's financial future is directly linked to the fiscal health of the State government.

The State borrowed billions of dollars to defer the impact of over half of its budget deficit in 2003/04. The State has also reduced the City's local sales tax rate from 0.95% to 0.50% in 2004/05. It will shift the local sales tax revenue to a fund established to repay bonds the State issued to cover nearly \$11 billion of its deficit. The Legislature indicated that it would mitigate the revenue loss by using property tax revenues taken from cities in 1992 and 1993. These funds are now used to provide funding to education, which, in turn, reduces the State General Fund's share of the constitutionally mandated obligation for education funding. If the State cannot afford to replace the funds used for education, there is a risk that the mitigation payments to the City could be reduced.

Meanwhile, the City continues to lose more than \$9.0 million annually from State takeaways implemented during the fiscal crisis ten years ago. Until the threat of State diversion of funds diminishes, the City will avoid implementing any new or expanded services that commit ongoing resources.

Fremont is fortunate to have a diverse business community and a strong real estate market. The 2004/05 budget assumptions acknowledge the uncertainty in the economy and the State budget, and the budget includes contingency reserves to help us deal with the risk.

In response to the unprecedented uncertainty that the City faces, the City's focus will be on preserving basic services and sustaining maintenance of infrastructure and public facilities. The prudent budgeting and reserve policies developed since the last recession have enabled the City to manage through this economic downturn. However, despite seeing the first signs of economic recovery in three years at the end of 2003/04, the City faces resource shortfalls in future budgets. Aggressive cost cutting, economic development, and fee increases have helped with the resource problem, but new resources will be needed to continue current service levels and restore essential public safety and maintenance services. Prudent use of fund balance will cushion the impact of reduced revenues and mitigate the effects on departmental budgets and services.

**City of Fremont, California  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004**

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**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Fremont's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Director, Harriet V. Commons, at 3300 Capital Avenue, P. O. Box 5006, Fremont, California 94537-5006.

## **BASIC FINANCIAL STATEMENTS**

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## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**City of Fremont**  
**Statement of Net Assets**  
**June 30, 2004**

(With comparative totals for June 30, 2003)

	Governmental Activities	
	2004	2003
<b>ASSETS</b>		
Current assets:		
Cash and investments held by City	\$ 277,500,606	\$ 230,282,383
Restricted cash and investments held by fiscal agent	26,516,741	65,534,770
Receivables:		
Allocated property tax	1,212,611	980,640
Allocated sales tax	5,711,966	4,450,871
Due from other governmental agencies	6,185,894	8,404,553
Accrued interest	6,669,112	5,941,379
Other	2,825,582	2,701,518
Total receivables	22,605,165	22,478,961
Total current assets	326,622,512	318,296,114
Noncurrent assets:		
Housing rehabilitation loans receivable, net	1,147,254	1,462,678
Condemnation deposits	7,438,965	2,988,300
Deferred charges	1,446,488	-
Land for Sale	2,821,430	2,821,430
Capital assets:		
Nondepreciable assets	611,448,949	584,057,972
Depreciable assets, net	79,729,734	82,675,848
Total capital assets, net	691,178,683	666,733,820
Total noncurrent assets	704,032,820	674,006,228
<b>Total assets</b>	<b>1,030,655,332</b>	<b>992,302,342</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	7,370,052	4,807,785
Tax and revenue anticipation notes payable	15,261,771	-
Salaries and wages payable	4,621,225	4,000,333
Compensated absences	1,054,799	989,243
Claims payable	2,851,483	3,508,908
Due to other governmental agencies	7,604,438	7,637,561
Interest payable	1,877,920	1,214,829
Deferred revenue	7,582,708	6,378,706
Loans payable and other liabilities	1,500,000	1,500,054
Long-term debt - due within one year	6,730,000	6,455,000
Total current liabilities	56,454,396	36,492,419
Noncurrent liabilities:		
Deferred revenue	6,113,748	4,721,311
Compensated absences	7,254,835	7,793,530
Claims payable	5,394,517	2,227,656
Long-term debt - due in more than one year	207,737,223	199,895,000
Total noncurrent liabilities	226,500,323	214,637,497
<b>Total liabilities</b>	<b>282,954,719</b>	<b>251,129,916</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	476,711,460	463,205,250
Restricted for:		
Capital projects and capital asset maintenance	123,420,225	130,195,465
Debt service	47,879,351	48,780,528
Community development	38,776,970	39,173,317
Specific projects and programs	13,202,602	15,057,672
Total restricted	223,279,148	233,206,982
Unrestricted	47,710,005	44,760,194
<b>Total net assets</b>	<b>\$ 747,700,613</b>	<b>\$ 741,172,426</b>

See accompanying Notes to Basic Financial Statements.

## City of Fremont

### Statement of Activities and Changes in Net Assets

For the year ended June 30, 2004

(With comparative totals for the year ended June 30, 2003)

						Net (Expense) Revenue and Changes in Net Assets	
						Governmental Activities	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	2004	2003
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 10,497,335	\$ 497,857	\$ -	\$ -	\$ 497,857	\$ (9,999,478)	\$ (11,878,735)
Police services	40,613,307	4,565,692	1,110,645	-	5,676,337	(34,936,970)	(33,233,587)
Fire services	23,593,554	2,451,767	408,155	-	2,859,922	(20,733,632)	(21,655,168)
Human services	5,532,651	1,316,513	1,911,850	-	3,228,363	(2,304,288)	(2,713,508)
Capital assets maintenance and operations	35,292,159	1,573,602	14,468,401	741,323	16,783,326	(18,508,833)	(19,404,706)
Recreation and leisure services	5,305,249	3,491,286	-	-	3,491,286	(1,813,963)	(2,075,194)
Community development and environmental services	30,151,929	10,871,809	2,616,110	-	13,487,919	(16,664,010)	(18,670,596)
Intergovernmental	8,940,670	-	-	-	-	(8,940,670)	(6,371,857)
Interest on debt	7,754,841	-	-	-	-	(7,754,841)	(7,457,832)
<b>Total</b>	<b>\$ 167,681,695</b>	<b>\$ 24,768,526</b>	<b>\$ 20,515,161</b>	<b>\$ 741,323</b>	<b>\$ 46,025,010</b>	<b>\$ (121,656,685)</b>	<b>\$ (123,461,183)</b>

#### General revenues:

##### Intergovernmental:

Allocated property tax	63,385,957	60,328,147
Allocated sales tax	26,796,489	28,202,974
Motor vehicle in lieu	3,813,050	4,009,909
Revenue loss mitigation	5,728,458	8,004,274
Other	470,113	718,717
<b>Total intergovernmental</b>	<b>100,194,067</b>	<b>101,264,021</b>
Business taxes	5,323,827	5,599,379
Other taxes	3,380,411	2,895,600
Development impact fees	6,987,670	2,687,489
Franchises	7,003,922	6,872,912
Investment earnings	3,438,906	10,184,761
Miscellaneous	1,856,069	791,756
<b>Total general revenues</b>	<b>128,184,872</b>	<b>130,295,918</b>
<b>Change in net assets</b>	<b>6,528,187</b>	<b>6,834,735</b>
<b>Net assets - beginning of year</b>	<b>741,172,426</b>	<b>734,337,691</b>
<b>Net assets - end of year</b>	<b>\$ 747,700,613</b>	<b>\$ 741,172,426</b>

See accompanying Notes to Basic Financial Statements.

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## **GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

**City of Fremont**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2004**  
(With comparative totals for June 30, 2003)

	Major Funds					Major Funds			Other Governmental Funds	Total Governmental Funds	
	General Fund	Redevelopment Agency	Development Impact Fees	State Gas Tax	Integrated Waste Management	Development Cost Center	Recreation Services	Capital Maintenance		2004	2003
ASSETS											
Cash and investments held by City	\$ 48,992,532	\$ 105,750,713	\$ 43,933,887	\$ 7,156,673	\$ 7,013,342	\$ 5,539,141	\$ 7,134,611	\$ 3,642,432	\$ 44,552,000	\$ 273,715,331	\$ 225,669,734
Restricted cash and investments held by fiscal agent	-	12,509,102	-	-	-	-	7,331	-	14,000,308	26,516,741	65,534,770
Receivables:											
Allocated property tax	808,672	403,939	-	-	-	-	-	-	-	1,212,611	980,640
Allocated sales tax	5,711,966	-	-	-	-	-	-	-	-	5,711,966	4,450,871
Due from other governmental agencies	1,571,284	-	-	355,547	-	-	-	-	4,259,063	6,185,894	8,404,553
Housing loans receivable, net	-	-	-	-	-	-	-	-	1,147,254	1,147,254	1,462,678
Accrued interest	1,426,486	4,788,848	-	-	-	-	-	-	453,778	6,669,112	5,941,379
Other	1,470,241	46,934	176,376	9,557	445,752	309,221	18,514	54,213	109,259	2,640,067	2,471,415
Condemnation deposits	-	2,988,300	-	-	-	-	-	-	-	2,988,300	2,988,300
Due from other funds	2,987,150	-	-	-	-	-	-	-	-	2,987,150	7,848,865
Total assets	\$ 62,968,331	\$ 126,487,836	\$ 44,110,263	\$ 7,521,777	\$ 7,459,094	\$ 5,848,362	\$ 7,160,456	\$ 3,696,645	\$ 64,521,662	\$ 329,774,426	\$ 325,753,205
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	\$ 1,180,144	\$ 2,428,360	\$ 834,849	\$ 257,841	\$ 18,307	\$ 75,311	\$ 37,224	\$ 1,105,302	\$ 1,199,546	\$ 7,136,884	\$ 4,616,305
Tax and revenue anticipation notes payable	15,261,771	-	-	-	-	-	-	-	-	15,261,771	-
Salaries and wages payable	3,621,278	40,131	-	-	19,892	363,498	114,412	306,594	48,479	4,514,284	3,887,890
Compensated absences	811,364	1,888	-	-	3,168	103,787	36,644	68,061	20,984	1,045,896	979,405
Due to other funds	-	-	-	-	-	-	-	-	2,987,150	2,987,150	7,848,865
Due to other governmental agencies	-	7,604,438	-	-	-	-	-	-	-	7,604,438	7,637,561
Loans payable and other liabilities	-	1,500,000	-	-	-	-	-	-	-	1,500,000	1,500,000
Deferred revenue	5,144,881	4,837,472	-	-	-	1,759,411	577,803	-	1,376,887	13,696,454	11,100,017
Other accrued liabilities	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	26,019,438	16,412,289	834,849	257,841	41,367	2,302,007	766,083	1,479,957	5,633,046	53,746,877	37,570,043
Fund Balances:											
Reserved for:											
Encumbrances	563,369	17,053,333	3,795,866	535,768	102,162	124,252	-	246,860	12,341,743	34,763,353	20,863,626
Debt service	-	45,557,642	-	-	-	-	-	-	4,199,628	49,757,270	44,310,357
Unreserved, reported in:											
General fund	36,385,524	-	-	-	-	-	-	-	-	36,385,524	33,608,581
Special revenue funds	-	36,387,831	-	6,728,168	7,315,565	3,422,103	6,394,373	-	9,211,108	69,459,148	72,648,982
Capital projects funds	-	11,076,741	39,479,548	-	-	-	-	1,969,828	33,136,137	85,662,254	116,751,616
Total fund balances	36,948,893	110,075,547	43,275,414	7,263,936	7,417,727	3,546,355	6,394,373	2,216,688	58,888,616	276,027,549	288,183,162
Total liabilities and fund balances	\$ 62,968,331	\$ 126,487,836	\$ 44,110,263	\$ 7,521,777	\$ 7,459,094	\$ 5,848,362	\$ 7,160,456	\$ 3,696,645	\$ 64,521,662	\$ 329,774,426	\$ 325,753,205

See accompanying Notes to Basic Financial Statements.

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**City of Fremont**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Assets**  
**June 30, 2004**

(With comparative totals for June 30, 2003)

	2004	2003
<b>Total Fund Balances - Total Governmental Funds</b>	<b>\$ 276,027,549</b>	<b>\$ 288,183,162</b>
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	686,655,437	662,511,830
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.	(1,877,920)	(1,214,829)
Deferred charges on bonds not recorded in the governmental funds, which were previously recorded as expenditures and amortized over the terms of the bonds.	1,446,488	-
Condemnation deposit incurred during FY2003/04 reported as Noncurrent assets, while reported as capital outlay in Governmental Funds Statements of Revenues, Expenditures, and Changes in Fund Balances.	4,450,665	-
Internal service funds are used to charge the costs of insurance and information technology to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Assets.	2,720,452	5,835,793
Accruals for compensated absences are long term liabilities and are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(7,254,835)	(7,793,530)
Long-term debts are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(214,467,223)	(206,350,000)
<b>Net Assets of Governmental Activities</b>	<b>\$ 747,700,613</b>	<b>\$ 741,172,426</b>

See accompanying Notes to Basic Financial Statements.

**City of Fremont**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2004**  
(With comparative totals for the year ended June 30, 2003)

	Major Funds				Major Funds				Other	Total	
	General Fund	Redevelopment Agency	Development Impact Fees	State Gas Tax	Integrated Waste Management	Development Center	Recreation Services	Capital Maintenance	Governmental Funds	2004	2003
<b>REVENUES:</b>											
Intergovernmental:											
Property tax	\$ 35,264,364	\$ 27,440,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 681,193	\$ 63,385,957	\$ 60,328,147
Sales tax	26,796,489	-	-	-	-	-	-	-	-	26,796,489	28,202,974
Motor vehicle in lieu	3,813,050	-	-	-	-	-	-	-	-	3,813,050	4,009,909
Revenue loss mitigation	5,728,458	-	-	-	-	-	-	-	-	5,728,458	8,004,274
Other	733,763	-	-	3,883,935	429,113	-	-	-	15,938,462	20,985,273	19,716,307
Business tax	5,323,827	-	-	-	-	-	-	-	-	5,323,827	5,599,379
Other taxes	3,380,411	-	-	-	-	-	-	-	-	3,380,411	2,895,600
Impact fees	-	-	6,987,670	-	-	-	-	-	-	6,987,670	2,687,489
Franchises	7,003,922	-	-	-	-	-	-	-	-	7,003,922	6,872,912
Charges for services	7,745,830	-	-	-	3,666,736	7,205,073	3,491,286	175,708	2,483,893	24,768,526	21,320,438
Investment earnings	480,918	1,333,602	462,782	80,008	-	44,033	71,249	-	930,718	3,403,310	10,045,155
Other	532,048	126,404	4,915	-	-	-	41,720	-	1,073,920	1,779,007	730,203
<b>Total revenues</b>	<b>96,803,080</b>	<b>28,900,406</b>	<b>7,455,367</b>	<b>3,963,943</b>	<b>4,095,849</b>	<b>7,249,106</b>	<b>3,604,255</b>	<b>175,708</b>	<b>21,108,186</b>	<b>173,355,900</b>	<b>170,412,787</b>
<b>EXPENDITURES:</b>											
Current:											
General government	10,270,078	-	-	-	-	-	-	-	-	10,270,078	12,019,481
Police services	37,191,762	-	-	-	-	-	-	-	744,182	37,935,944	37,011,189
Fire services	22,586,818	-	-	-	-	-	-	-	464,122	23,050,940	22,298,745
Human services	2,423,626	-	-	-	-	-	-	-	3,056,994	5,480,620	5,685,116
Capital assets maintenance and operations	-	-	4,330,659	3,965,684	-	-	-	17,509,425	6,032,652	31,838,420	34,452,491
Recreation and leisure services	-	-	-	-	-	-	5,201,139	-	-	5,201,139	5,324,337
Community development and environmental services	585,920	16,995,731	-	-	1,225,030	7,683,602	-	-	3,328,581	29,818,864	29,300,150
Intergovernmental	-	8,940,670	-	-	-	-	-	-	-	8,940,670	6,371,857
Capital outlay	59,801	11,183,215	746,610	17,409	2,874,028	4,241	5,996	-	18,079,968	32,971,268	29,113,450
Debt service:											
Principal	-	2,915,000	-	-	-	-	-	-	3,540,000	6,455,000	5,385,000
Interest and fiscal charges	668,517	3,198,011	-	-	-	-	-	-	4,309,487	8,176,015	7,541,598
<b>Total expenditures</b>	<b>73,786,522</b>	<b>43,232,627</b>	<b>5,077,269</b>	<b>3,983,093</b>	<b>4,099,058</b>	<b>7,687,843</b>	<b>5,207,135</b>	<b>17,509,425</b>	<b>39,555,986</b>	<b>200,138,958</b>	<b>194,503,414</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>23,016,558</b>	<b>(14,332,221)</b>	<b>2,378,098</b>	<b>(19,150)</b>	<b>(3,209)</b>	<b>(438,737)</b>	<b>(1,602,880)</b>	<b>(17,333,717)</b>	<b>(18,447,800)</b>	<b>(26,783,058)</b>	<b>(24,090,627)</b>
<b>OTHER FINANCING SOURCES (USES):</b>											
Debt proceeds	-	41,425,000	-	-	-	-	-	-	31,930,000	73,355,000	54,865,000
Transfers in	6,724,878	21,649	-	-	744	2,330,637	2,472,951	20,959,222	6,891,656	39,401,737	103,043,213
Transfers out	(26,852,320)	(293,780)	(2,109,054)	(1,250,000)	(2,112,996)	(1,600,032)	(626,961)	(2,740,822)	(1,398,327)	(38,984,292)	(102,510,598)
Payment to escrow agent	-	(38,695,000)	-	-	-	-	-	-	(20,450,000)	(59,145,000)	(5,685,000)
<b>Total other financing sources (uses)</b>	<b>(20,127,442)</b>	<b>2,457,869</b>	<b>(2,109,054)</b>	<b>(1,250,000)</b>	<b>(2,112,252)</b>	<b>730,605</b>	<b>1,845,990</b>	<b>18,218,400</b>	<b>16,973,329</b>	<b>14,627,445</b>	<b>49,712,615</b>
<b>Net change in fund balances</b>	<b>2,889,116</b>	<b>(11,874,352)</b>	<b>269,044</b>	<b>(1,269,150)</b>	<b>(2,115,461)</b>	<b>291,868</b>	<b>243,110</b>	<b>884,683</b>	<b>(1,474,471)</b>	<b>(12,155,613)</b>	<b>25,621,988</b>
<b>FUND BALANCES:</b>											
Beginning of year	34,059,777	121,949,899	43,006,370	8,533,086	9,533,188	3,254,487	6,151,263	1,332,005	60,363,087	288,183,162	262,561,174
End of year	\$ 36,948,893	\$ 110,075,547	\$ 43,275,414	\$ 7,263,936	\$ 7,417,727	\$ 3,546,355	\$ 6,394,373	\$ 2,216,688	\$ 58,888,616	\$ 276,027,549	\$ 288,183,162

See accompanying Notes to Basic Financial Statements.

# City of Fremont

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2004

(With comparative totals for the year ended June 30, 2003)

	2004	2003
<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (12,155,613)</b>	<b>\$ 25,621,988</b>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets additions recorded in the current period.	28,520,603	29,113,450
Condemnation deposit incurred during FY2003/04 reported as Noncurrent assets, while reported as capital outlay in Governmental Funds Statements of Revenues, Expenditures, and Changes in Fund Balances.	4,450,665	-
Contributions of infrastructure assets from developers not reported as revenue in governmental funds.	741,323	1,272,083
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, depreciation is not reported as an expenditure in governmental funds.	(4,879,889)	(9,655,403)
Losses on the disposal of capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but do not require the use of current financial resources. Therefore, it is not reported as an expenditure in governmental funds.	(238,430)	(104,889)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.		
Bond proceeds	(73,355,000)	(54,865,000)
Long-term debt repayments	65,600,000	11,070,000
Interest expense accrued on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, interest expense is not reported as an expenditure in governmental funds.	(663,091)	83,766
Unamortized long term discount/premium is accrued in Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, unamortized long term discount/premium is not reported as an expenditure in governmental funds.	(362,223)	-
Prepaid bond issuance cost is deferred in Government-Wide Statement of Activities and Changes in Net Assets, but it does require the use of current financial resources. Therefore, bond issuance cost is reported as an expenditure in governmental funds.	1,446,488	-
Internal service funds are used to charge the costs of insurance and information technology, to individual funds. The net revenue of the internal service funds is reported with governmental activities.	(3,115,341)	4,246,402
Changes in long term compensated absences in governmental activities are not reported in governmental funds	538,695	52,338
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 6,528,187</b>	<b>\$ 6,834,735</b>

## **PROPRIETARY FUND FINANCIAL STATEMENTS**

**City of Fremont**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2004**

(With comparative totals for June 30, 2003)

	Internal Service	
	2004	2003
<b>ASSETS</b>		
Cash and investments held by City	\$ 3,785,275	\$ 4,612,649
Receivables:		
Other	185,515	230,103
Depreciable asset	8,334,620	7,853,901
Less accumulated depreciation	(3,811,374)	(3,631,911)
Land held for resale	2,821,430	2,821,430
<b>Total assets</b>	<b>11,315,466</b>	<b>11,886,172</b>
<b>LIABILITIES</b>		
Accounts payable	233,168	191,480
Salaries and wages payable	106,941	112,443
Compensated absences	8,903	9,838
Claims payable	8,246,000	5,736,564
Other accrued liabilities	2	54
<b>Total liabilities</b>	<b>8,595,014</b>	<b>6,050,379</b>
<b>NET ASSETS</b>		
Invested in capital assets	4,523,246	4,221,990
Unrestricted	(1,802,794)	1,613,803
<b>Total net assets</b>	<b>\$ 2,720,452</b>	<b>\$ 5,835,793</b>

See accompanying Notes to Basic Financial Statements.

# City of Fremont

## Statement of Revenues, Expenses and Changes in Net Assets

### Proprietary Fund

For the year ended June 30, 2004

(With comparative totals for the year ended June 30, 2003)

	Internal Service	
	2004	2003
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 7,926,288	\$ 8,239,434
Other	77,062	61,553
<b>Total operating revenues</b>	<b>8,003,350</b>	<b>8,300,987</b>
<b>OPERATING EXPENSES:</b>		
Salaries and wages	2,376,717	2,410,770
Insurance premiums	709,484	724,676
Provision for claim losses	6,474,337	2,893,127
Claims administration	262,678	302,129
Materials and supplies	688,345	1,414,550
Depreciation	179,463	341,869
Other	45,816	44,033
<b>Total operating expenses</b>	<b>10,736,840</b>	<b>8,131,154</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(2,733,490)</b>	<b>169,833</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	35,595	139,606
<b>Total nonoperating revenues (expenses)</b>	<b>35,595</b>	<b>139,606</b>
Contributed capital assets	-	4,469,578
Transfers in	34,221	34,627
Transfers out	(451,667)	(567,242)
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(3,115,341)</b>	<b>4,246,402</b>
<b>NET ASSETS:</b>		
Beginning of year	5,835,793	1,589,391
End of year	<b>\$ 2,720,452</b>	<b>\$ 5,835,793</b>

See accompanying Notes to Basic Financial Statements.

# City of Fremont

## Statement of Cash Flows

### Proprietary Fund

#### For the year ended June 30, 2004

(With comparative totals for the year ended June 30, 2003)

	Internal Service	
	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from users	\$ 7,970,876	\$ 8,265,402
Other revenue	88,241	61,553
Less: Payments to suppliers	(1,624,988)	(2,449,426)
Payments to employees for services	(2,394,333)	(2,446,351)
Payments for claims paid	(3,964,901)	(3,619,030)
Payments to equipment	(480,719)	-
Payments to others	(39,699)	(40,755)
<b>Net cash provided (used) by operating activities</b>	<b>(445,523)</b>	<b>(228,607)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on cash and investments	35,595	139,606
<b>Net cash provided by investing activities</b>	<b>35,595</b>	<b>139,606</b>
<b>CASH FLOWS FROM NONCAPITAL ACTIVITIES:</b>		
Transfers in	34,221	34,627
Transfers out	(451,667)	(567,242)
<b>Net cash provided (used) by noncapital activities</b>	<b>(417,446)</b>	<b>(532,615)</b>
<b>Net increase (decrease) in cash and cash investments</b>	<b>(827,374)</b>	<b>(621,616)</b>
<b>CASH AND INVESTMENTS:</b>		
Beginning of year	4,612,649	5,234,265
End of year	<u>\$ 3,785,275</u>	<u>\$ 4,612,649</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>		
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (2,733,490)	\$ 169,833
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	179,463	341,869
Changes in assets and liabilities:		
Accounts receivable	44,588	25,968
Accounts payable	41,688	(2,761)
Salaries and wages payable	(5,502)	(37,897)
Compensated absences	(935)	2,316
Claims payable	2,509,436	(725,903)
Machinery & Equipment	(480,719)	(2,032)
Other accrued activities	(52)	-
<b>Net cash provided (used) by operating activities</b>	<b>\$ (445,523)</b>	<b>\$ (228,607)</b>

See accompanying Notes to Basic Financial Statements.

## **FIDUCIARY FUND FINANCIAL STATEMENTS**

**City of Fremont**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2004**  
(With comparative totals for June 30, 2003)

	Total	
	2004	2003
<b><u>All Agency Funds</u></b>		
<b>Assets:</b>		
Cash and investments held by City	\$ 14,512,783	\$ 15,084,235
Restricted cash and investments		
held by fiscal agent	25,482,346	25,055,681
Accounts receivable	-	15,508
Other receivables	89,105	41,266
<b>Total assets</b>	<b>40,084,234</b>	<b>40,196,690</b>
<b>Liabilities:</b>		
Accounts payable	\$ 35,604	\$ 8,752
Deposits	40,048,630	40,187,938
<b>Total liabilities</b>	<b>\$ 40,084,234</b>	<b>\$ 40,196,690</b>

See accompanying Notes to Basic Financial Statements.

**City of Fremont**  
**Index to Notes to Basic Financial Statements**  
**For the year ended June 30, 2004**

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	<u>Page</u>
<b>Note 1 - Summary of Significant Accounting Policies .....</b>	<b>55</b>
A. Financial Reporting Entity .....	56
B. Basis of Accounting and Measurement Focus.....	57
C. Cash and Investments.....	61
D. Restricted Cash and Investments .....	61
E. Interfund Transactions .....	61
F. Capital Assets.....	62
G. Claims Payable.....	62
H. Compensated Absences.....	63
I. Long-Term Obligations .....	63
J. Net Assets and Fund Balances .....	63
K. Fund Equity .....	64
L. Use of Restricted/Unrestricted Net Assets.....	66
M. Allocated Property Tax.....	66
N. Use of Estimates.....	67
<b>Note 2 - Cash and Investments .....</b>	<b>67</b>
A. Authorized Investments .....	67
B. Deposits .....	68
C. Risks .....	69
D. External Investment Pool .....	71
<b>Note 3 - Receivables .....</b>	<b>71</b>
A. Housing Loans Receivable .....	71
B. Interest Receivable.....	72
<b>Note 4 - Capital Assets .....</b>	<b>73</b>
<b>Note 5 - Long-Term Debt .....</b>	<b>75</b>
A. Variable Rate Demand Certificate of Participation .....	76
B. Redevelopment Agency Tax Allocation Bonds.....	76
C. General Obligation Bonds, Election of 2002 .....	76
D. Special Assessment Debt.....	78
E. Community Facilities District Special Tax Bonds.....	78
F. Residential Mortgage Loan Program.....	78
G. Defeased Debt .....	78
H. Compensated Absences.....	78
<b>Note 6 - Risk Management.....</b>	<b>79</b>
A. Participation in Public Entity Risk Pools.....	79

**City of Fremont**  
**Index to Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

---

	<u>Page</u>
<b>Note 7 - Interfund Transactions .....</b>	<b>81</b>
A. Interfund Receivables and Payables .....	81
B. Interfund Transfers .....	82
<b>Note 8 - Retirement Benefits.....</b>	<b>82</b>
A. California Public Employees' Retirement System .....	82
B. Post-Retirement Benefits .....	84
<b>Note 9 - Commitments and Contingencies .....</b>	<b>85</b>
A. Housing Loan Commitments .....	85
<b>Note 10 - Subsequent Events .....</b>	<b>87</b>
Tax Revenue and Anticipation Notes .....	87

**City of Fremont**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Fremont, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**Governmental Activities**

The City reports the following governmental activities:

General Government – These services are those that are associated with the general administration of the government. These services are primarily provided by the following offices/departments: City Council, City Manager, City Attorney, City Clerk, Finance, Human Resources and the Office of Neighborhoods. These offices provide services that support external as well other internal government functions of the City.

Police Services – The Police Department is responsible for the safeguarding of citizens' lives and property, the preservation of constitutional rights, and neighborhood problem solving. These services also include the animal shelter and jail bookings.

Fire Services – The Fire Department is responsible for providing fire and life safety emergency services in Fremont. Services include emergency response, paramedic services, public education, emergency-preparedness training and hazardous materials management services.

Human Services – The Human Services Department offers a range of services to the community, including a senior center, paratransit services, counseling, and support for seniors, families and youth.

Capital Asset Maintenance and Operations – These services include maintenance of the City's capital assets and infrastructure, such as public buildings, parks, streets and vehicles.

Recreation and Leisure Services – Services provided by the Recreation Department include both performing and visual arts, youth and adult sports, youth and early childhood enrichment programs, park visitor services, and management of the community centers, special facilities, and historic sites.

Community Development and Environmental Services – These services are provided by the Development and Environmental Services Department and include community planning, engineering, code enforcement, building permit and inspection services, and environmental services that enhance and preserve a high quality living environment within the City.

Intergovernmental – These expenditures represent payments to other governmental agencies made by the Redevelopment Agency in accordance with pass-through fiscal agreements with those local taxing authorities.

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**A. Financial Reporting Entity**

The City was incorporated in January 1956. The City has a council-manager form of government and provides a wide range of municipal services. As required by generally accepted accounting principles in the United States, these basic financial statements present the City and its component units.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government's exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The following is a brief overview of the component units included in the accompanying basic financial statements of the City. Financial information for these component units can be obtained from the City's Finance Department.

Redevelopment Agency of the City of Fremont (Agency) - A separate governmental entity established for the purpose of redeveloping certain areas of the City through development of industrial parks, commercial areas, and new residential housing. Funds for redevelopment projects are provided from various sources, including incremental property tax revenues, tax allocation bonds and advances from the City. Separate financial statements for the Agency are available from the City's Finance Department.

Fremont Public Financing Authority (Financing Authority) - A joint powers authority formed by the City and the Agency, organized for the purpose of financing certain capital projects for the City or the Agency. Separate financial statements are not issued for the Financing Authority.

Fremont Social Services JPA (Social Services JPA) - A joint powers authority formed by the City and the Agency, organized for the purpose of facilitating the activities of the Family Resource Center. In 1998, the Social Services JPA entered into a 40-year lease with the City for the two buildings that house the Family Resource Center. The Social Services JPA has committed to subleasing this space to CDBG-eligible tenants at below-market rents over the 40-year lease term. Rents collected from CDBG-eligible tenants are used to make payments on the debt service obligations incurred in connection with the purchase of the buildings. Separate financial statements are not issued for the Social Services JPA.

The City Council serves in separate session as the governing body of the Agency, the Financing Authority, and the Social Services JPA. As a result, the financial activities of these entities are integrally related to those of the City and are "blended" with those of the City.

Other governmental agencies that provide services within the City include the following:

- Fremont-Newark Community College District
- Fremont Unified School District
- Alameda County Flood Control & Water Conservation District
- Union Sanitary District
- Alameda County Water District
- East Bay Regional Park District

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***A. Financial Reporting Entity, Continued***

- Washington Township Hospital District and related organizations
- Alameda-Contra Costa Transit District
- Bay Area Rapid Transit District
- State of California
- County of Alameda

Financial information for the organizations listed above is not included in the accompanying basic financial statements because they have independently elected governing boards, their operations are separate from those of the City, and they are not financially dependent on the City.

***B. Basis of Accounting and Measurement Focus***

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**Government – Wide Financial Statements**

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities for the City. Fiduciary activities of the City are not included in these statements.

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect), as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting and Measurement Focus, Continued***

**Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and aggregated non-major funds. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that meet the criteria prescribed in GASB Statement No. 34.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The City reports the following major governmental funds:

General Fund – This fund is the City’s primary operating fund. It accounts for all financial resources and outlays of the general government. The fund receives the City’s discretionary funding sources (e.g., property tax, sales tax, charges for services, etc.) and uses its resources for the general operations of the City (e.g., police, fire, general government) not accounted for in other funds.

Redevelopment Agency – This fund accounts for the activities of the Redevelopment Agency of the City. The fund receives incremental property taxes and disburses those proceeds for payment of principal and interest on the redevelopment tax increment bonds issued to finance improvements in the Irvington, Centerville, Niles and Industrial project areas. In addition, California Government Code Section 33487, pertaining to redevelopment agencies, requires the Agency to set aside 20% of its tax allocations for improving the community’s low and moderate income housing stock. These restricted allocations are accounted for in this fund.

Development Impact Fees – This fund accounts for impact fees levied under California Government Code Sections 66000-63000 (commonly referred to as AB1600) and Section 66477 (commonly referred to as the Quimby Act). The City assesses fees for fire, capital facilities, traffic, park dedication in lieu, and park facilities. These fees are used to defray all or a portion of the cost of additional public facilities needed to provide service to new development.

State Gas Tax – This fund accounts for monies apportioned to the City from State-collected gasoline taxes. The annual allocation may be spent for street maintenance or construction. Funds are apportioned by the State on the basis of population.

Integrated Waste Management – This fund accounts for monies received by the City to comply with the provisions of AB939 for the purpose of addressing recycling, household hazardous waste and solid waste management issues. These revenues may only be spent for integrated waste management and waste reduction programs.

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting and Measurement Focus, Continued***

Development Cost Center – This fund accounts for services related to planning, engineering and inspection of public and private development construction projects.

Recreation Services – This fund accounts for all recreation programs and services, including Central Park and activities of the community centers. Fees are generated from the various classes and programs offered to the public. All costs of these programs are funded from these fees and from resources provided by the general fund.

Capital Maintenance – This fund accounts for maintenance activities related to the City's capital assets, including parks, streets, buildings, fleet, and urban forestry. This fund is primarily supported by the general fund, and also receives contributions from State Gas Tax, Integrated Waste Management, and Urban Water Runoff revenues.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally received within 60 days after year-end) are recognized when due. The primary revenue sources that have been treated as susceptible to accrual by the City are property tax, sales tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Fines, forfeitures and licenses and permits are not susceptible to accrual because they are usually not measurable until received in cash. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures or when monies are received before the related services are performed. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

The reconciliations of the fund financial statements to the government-wide financial statements are provided to explain the differences between the integrated approach of GASB Statement No. 34 and the traditional approach of fund accounting.

**Proprietary Fund Financial Statements**

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows for all proprietary funds.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred.

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting and Measurement Focus, Continued***

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The City reports the following proprietary fund:

Internal Service Funds – These funds account for the Risk Management and Information Technology services provided to other departments or agencies of the government on a cost reimbursement basis.

Internal service fund balances and activities have been combined with governmental activities in the government-wide financial statements.

**Fiduciary Fund Financial Statements**

Fiduciary fund financial statements consist of a Statement of Net Assets. The City's fiduciary fund represents agency funds, which are custodial in nature and do not involve measurement of results of operations. The agency funds use the accrual basis of accounting.

The City reports the following agency funds:

Local Improvement Districts – This fund accounts for the special assessment bonds issued by local improvement districts or community facility districts under various public improvement acts of the State of California and secured by liens against properties deemed to have been benefited by the improvements for which the bonds were issued. Property owners are assessed their proportionate share, and the City acts as an agent in collecting the assessments from the property owners, forwarding the collections to bondholders and initiating foreclosure proceedings when necessary.

Bonds, Deposits and Confiscated Assets – This fund accounts for bonds and deposits received in conjunction with construction activity within the City, assets confiscated by the police, and other deposits held by the City as a fiduciary.

Tri-City Waste Facility Financing Authority – This fund accounts for revenue bonds issued by the cities of Fremont, Newark and Union City for the closure of the Durham Road Landfill.

Tri-City Waste Disposal Authority – This fund provides for the administration of funds collected by the Tri-City Waste Disposal Authority, a joint powers authority (JPA), which exists to administer disposal agreements for the solid waste generated in the cities of Fremont, Newark, and Union City.

Southern Alameda County GIS – This fund accounts for monies collected from participating agencies for the administration of the Geographic Information System (GIS) through a JPA. The City is the administrator of the GIS, which serves the participating agencies. The parties to the JPA are the City of Fremont, City of Union City, City of Newark, Union Sanitary District, and Alameda County Water District.

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***C. Cash and Investments***

The City pools cash resources from all funds in order to facilitate and maximize the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. Interest earned on investments is allocated to all funds on the basis of daily cash and investment balances.

The City participates in an investment pool managed by the State of California, the Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk, with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as to change in interest rates.

Cash and cash equivalents are considered to be cash on hand, amounts in demand deposits and short-term investments with original maturities of three months or less from the date acquired by the City.

***D. Restricted Cash and Investments***

Certain restricted cash and investments are held by a fiscal agent for the redemption of bonded debt and for acquisition and construction of certain capital projects.

***E. Interfund Transactions***

During the normal course of operations, the City has numerous transactions among funds. The significant interfund transactions that occurred during the year can be classified into two types:

Transfers - Transactions to allocate the occurrence of specific expenditures within the receiving fund. These transactions are recorded as transfers in and out in the year in which they are approved.

Loans Between Funds - Transactions to loan resources from one fund to another. The interfund loans will be paid back when permanent financing is obtained or definitive funding sources become available. Short-term loans are recorded as "due from other funds" in the disbursing fund and "due to other funds" in the receiving fund.

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***F. Capital Assets***

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting infrastructure capital assets at \$25,000 and for all other capital assets at \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets, as follows:

Buildings	50 years
Building Improvements	20 years
Machinery and Equipment	5 - 25 years
Infrastructure	15 - 100 years
Vehicles	5 - 27 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, which requires the inclusion of infrastructure capital assets in the City's basic financial statements. In accordance with GASB Statement No. 34, the City included all infrastructures in the 2001/02 basic financial statements for the first time.

The City defines infrastructure as the basic physical assets that allow the City to function. These assets include the street system, park and recreation lands and improvements system, storm water collection system, and site amenities associated with buildings, such as parking and landscaped areas, used by the City in the conduct of its business.

The City uses the modified approach, as defined by GASB Statement No. 34, for infrastructure reporting of its streets, concrete and asphalt pavements. For all other infrastructure systems, the City uses the basic approach, as defined by GASB Statement No. 34.

The City commissioned an appraisal of City-owned infrastructure and property as of December 31, 2001, and has completed internal updates for June 30, 2003 and 2004. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date of the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight-line cost method, was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

***G. Claims Payable***

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers' compensation claims. The estimated liability for workers' compensation claims and general liability claims include incurred but not reported (IBNR) claims. There is no fixed payment schedule to pay these liabilities.

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***H. Compensated Absences***

In accordance with negotiated labor agreements, employees accumulate earned but unused vacation and other compensated leave, and sick pay benefits. There is no liability for unpaid accumulated sick leave because the City does not pay any amounts when employees separate from service with the City. All vacation and other compensated leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are expected to be settled with current financial resources.

***I. Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental-type funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuance are reported as other financing sources, while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***J. Net Assets and Fund Balances***

**Government-Wide Financial Statements**

In the government-wide financial statements, net assets are reported in one of three categories:

*Invested in Capital Assets, Net of Related Debt* - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

*Restricted Net Assets* - external creditors, grantors, contributors, or laws or regulations of other governments restrict this amount.

*Unrestricted Net Assets* - This amount consists of all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

**Fund Financial Statements**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans for future use of financial resources and are subject to change.

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***J. Net Assets and Fund Balances, Continued***

Reservation of fund balances of governmental funds and retained earnings of proprietary funds are created to either satisfy legal covenants, including state laws, that require a portion of the fund balance be segregated or identify the portion of the fund balance that is not available for future expenditures.

**K. Fund Equity** - Reservations of fund balances of governmental funds and retained earnings of proprietary funds are created to either satisfy legal covenants, including state laws, that require a portion of the fund balance be segregated or identify the portion of the fund balance not available for future expenditures. Designated fund balances represent tentative plans for future use of financial resources. Fund reservations and designations used by the City include:

- **Reserved for Encumbrances** represents commitments for materials and services on purchase orders and contracts, which are unperformed.
- **Reserved for Debt Service** is provided to set aside funds legally restricted for the payment of principal and interest on long-term debt.
- **Designated for Budget Uncertainty** represents the amounts set up as a hedge against the primary sources of uncertainty in the City's budgets and long-range financial plans.
- **Designated for Program Equity** represents amounts provided for new programs or enterprises that have the potential for costs to be covered by future revenues. This designation is funded at 2.5% of expenditures and transfers out, in accordance with Council policy.
- **Designated for Catastrophic Contingencies** is provided to set aside funds to meet costs associated with catastrophes and disasters. This designation is funded at 12.5% of expenditures and transfers out, in accordance with Council policy.
- **Designated for Fair Value Adjustments** represents amounts provided for unrealized gains and losses on changes in the fair market value of investments.
- **Designated for Future Appropriations** represents funds designated to cover future year expenditures.
- **Designated for Low and Moderate Income Housing Programs** represents tax increment revenues set aside for low and moderate-income housing projects.
- **Designated for Future Maintenance** represents funds designated for future maintenance on and/or replacement of fixed assets.
- **Designated for Vehicle Replacement** represents funds designated to cover the replacement cost associated with City-owned vehicles.

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**k. Fund Equity, Continued**

- **Designated for Capital Projects** represents funds set aside for new capital projects as determined by City Council.
- **Designated for Specific Purposes** represents funds designated for other specific purposes.

Fund balances and retained earnings at June 30, 2004, have been reserved or designated for the following purposes:

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Internal Service Funds	Totals
Reserved:						
Encumbrances	\$ 563,369	\$ 3,276,064	\$ -	\$ 30,923,920	\$ -	\$ 34,763,353
Debt service	-	-	49,757,270	-	-	49,757,270
Total reserved:	563,369	3,276,064	49,757,270	30,923,920	-	84,520,623
Unreserved:						
Designated:						
Budget uncertainty	7,906,000	-	-	-	-	7,906,000
Program equity	2,668,235	-	-	-	-	2,668,235
Catastrophic contingencies	13,339,175	-	-	-	-	13,339,175
Fair value adjustments	1,985,114	-	-	-	-	1,985,114
Future appropriations	6,195,000	-	-	-	-	6,195,000
Low and moderate income housing programs	-	26,314,219	-	-	-	26,314,219
Future maintenance	-	-	-	1,969,828	-	1,969,828
Vehicle replacement	-	-	-	2,611,096	-	2,611,096
Capital projects	-	-	-	81,081,330	-	81,081,330
Specific purposes	-	40,081,342	-	-	-	40,081,342
Undesignated	4,292,000	3,063,587	-	-	-	7,355,587
Retained earnings	-	-	-	-	2,720,452	2,720,452
Totals	\$ 36,948,893	\$ 72,735,212	\$ 49,757,270	\$ 116,586,174	\$ 2,720,452	\$ 278,748,001

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***L. Use of Restricted/Unrestricted Net Assets***

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

***M. Allocated Property Tax***

Under California law, property taxes are assessed and collected by the counties at a rate of up to 1% of assessed value, plus other increases approved by the voters. Property taxes go into a pool and are then allocated to cities based on complex formulas. Property taxes are collected by the Auditor-Controller of the County of Alameda (County) and are remitted upon collection to the various taxing entities, including the City and the Agency. Accordingly, the City accrues only those taxes that are received from the County within sixty days after year-end.

For assessment and collection purposes, property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and real property having a tax lien that is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all taxable property not attached to land, such as personal property or business property. Every tax levied by a county that becomes a lien on secured property has priority over all present and future private liens arising pursuant to State law on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on other property owned by the taxpayer.

Valuation of secured property and establishment of a statutory tax lien occur as of January 1 prior to the tax year (the tax year is the July 1 – June 30 fiscal year of the State) of the related tax levy, and the secured and unsecured tax rolls are certified on or before July 1 of the tax year by the County Assessor.

Lien Date (Secured)	January 1
Levy Date	January 1
Secured Taxes – Due Date	November 1 and February 1
Secured Taxes – Delinquency Date	December 10 and April 10
Unsecured Taxes – Due Date	July 1
Unsecured Taxes – Delinquency Date	August 31

Neither the City nor the Agency has the ability to control the levy rate or the amount of property taxes remitted by the County because State law controls them. Accordingly, these revenues are considered to be intergovernmental in nature.

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***N. Use of Estimates***

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of revenues and expenses. Actual results could differ from these estimates and assumptions.

**2. CASH AND INVESTMENTS**

The City maintains an internal cash and investment pool for all funds. Certain restricted funds that are held and invested by independent outside custodians through contractual agreements are not pooled, and are reported as cash with fiscal agents.

Investment income earned on pooled cash and investments (including realized and unrealized gains and losses) is allocated monthly to the various funds based on average daily cash balances. Investment income from cash and investments with fiscal agents is credited directly to the related funds.

***A. Authorized Investments***

The City's investment policy is adopted annually by the City Council in accordance with California Government Code Section 53601, and has as its objectives the following (in order of priority):

- **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in the portfolio's composition.
- **Liquidity:** The portfolio shall remain sufficiently liquid to meet all operating requirements, which might be reasonably anticipated. Liquidity refers to the ability to sell an investment at any given moment with a minimal chance of losing some portion of principal or interest.
- **Yield:** The portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Under provisions of the City's investment policy, the City may invest in the following types of investments:

- Bonds and notes issued by the City.
- U.S. Treasury bills, notes, bonds, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- Registered state warrants or treasury notes or bonds issued by the State of California.
- Bonds, notes, warrants, or other evidence of debt issued by a local agency within the State of California with the highest credit rating (on the date of purchase) by two nationally recognized rating services.

**2. CASH AND INVESTMENTS, Continued**

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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***A. Authorized Investments, Continued***

- The Local Agency Investment Fund (LAIF) maintained by the State of California.
- Obligations issued by agencies or instrumentalities of the U.S. Government.
- Bankers' acceptances with a term not to exceed 180 days.
- Prime commercial paper with a term not to exceed 270 days and the highest rating issued by Moody's Investors Service or Standard & Poor's Corporation, on the date of purchase.
- Negotiable certificates of deposit issued by federally chartered or state-chartered banks or associations or by a state-licensed branch of a foreign bank.
- Repurchase agreements that comply with statutory requirements, are documented by a written agreement, are fully collateralized by delivery to an independent third-party custodian or the counter party's bank's trust department or safekeeping department, and are for a term of one year or less.
- Medium-term notes with a maximum maturity of five years issued by corporations organized and operating in the United States.
- Shares of beneficial interest issued by diversified management companies investing in authorized securities and obligations (e.g., money market mutual funds).
- Insured or collateralized time deposits or savings accounts secured in accordance with the provisions of Sections 53651 and 53652 of the California Government Code.
- Any pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond with a maximum maturity of five years.
- Other investments that are permitted by bond indenture agreements.

A five-year maximum maturity for each investment is allowed unless an extension of maturity is granted by the City Council.

In accordance with Section 53651 of the California Government Code, the City cannot invest in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity. The limitation does not apply to investments in shares of beneficial interest issued under the Investment Company Act of 1940 that are authorized investments under Section 53601 of the California Government Code.

***B. Deposits***

At June 30, 2004, the carrying amount of the City's time and demand deposits was \$3,474,620. The difference between the bank balance of \$4,088,185 and the carrying amount resulted from outstanding checks and deposits in transit. Of the time deposits and demand deposits, \$500,000 was covered by federal depository insurance and \$3,588,185 was collateralized with securities held by the counter party or its agent in accordance with Section 53652 of the California Government Code. The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits, or by pledging first trust deed mortgage notes having a value of 150% of City's total deposits.

**3. CASH AND INVESTMENTS, Continued**

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

**C. Risks**

The following is a summary of pooled cash and investments, including cash and investments with fiscal agent at June 30, 2004.

	Government-Wide Statement of Net Assets Governmental Activities	Fiduciary Funds Statement of Net Assets	Totals
Cash and investments	\$ 277,500,606	\$ 14,512,783	\$ 292,013,389
Restricted cash and investments	26,516,741	25,482,346	51,999,087
<b>Totals</b>	<b>\$ 304,017,347</b>	<b>\$ 39,995,129</b>	<b>\$ 344,012,476</b>

Restricted cash and investments held by fiscal agent in the Financing Authority Debt Service Fund are restricted for the payment of principal and interest on certificates of participation. In the agency funds, restricted cash and investments held by fiscal agent relate to the special assessment bonds and bonds issued by the Tri-City Waste Disposal Authority.

As of June 30, 2004, the City had the following investments and maturities:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in years)</b>				
		<b>1 year or less</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4-5 years</b>
U.S. Agencies	\$ 1,993,438	\$ 1,000,313	\$ 993,125	\$ -	\$ -	\$ -
U.S. Treasuries	111,468,744	22,117,131	34,364,879	14,816,008	18,490,095	21,680,631
Domestic Banker's Acceptance	19,262,766	19,262,766	-	-	-	-
Commercial Paper	29,413,067	29,413,067	-	-	-	-
Medium Term Notes	33,417,468	10,082,680	5,033,765	6,916,759	8,484,304	2,899,960
Pooled Accounts	92,857,906	92,857,906	-	-	-	-
Time Deposits	3,600,000	3,500,000	100,000	-	-	-
<b>Total</b>	<b>\$ 292,013,389</b>	<b>\$ 178,233,863</b>	<b>\$ 40,491,769</b>	<b>\$ 21,732,767</b>	<b>\$ 26,974,399</b>	<b>\$ 24,580,591</b>

**2. CASH AND INVESTMENTS, Continued**

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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**C. Risks, Continued**

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2004, the City's pooled cash and investments had the following maturities:

<u>Maturity</u>	<u>Percentage of Investment</u>
Less than one year	61%
One to two years	15%
Two to three years	7%
Three to four years	9%
Four to five years	8%

The average life of the portfolio was 447 days.

*Credit Risk.* It is the City's policy that commercial paper have a credit rating of A1 by Standard & Poor's or P-1 by Moody's Investors Service. Corporate bonds and medium-term notes must have a rating of AA or better. Mutual funds and federal agency securities must have the highest rating issued by the nationally recognized statistical rating organizations. The Local Agency Investment Fund (LAIF), administered by the State of California, has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments.

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities, with the exception of the money market funds and LAIF, are held by a third-party custodian (BNY Western Trust). BNY is a registered member of the Federal Reserve Bank. The securities held by BNY are in street name, and a customer number assigned to the City identifies ownership.

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments be carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included in income for that fiscal year. Changes in value in the fiscal year ended June 30, 2004 from the fiscal year ended, June 30, 2003, amounted to an unrealized decrease of \$3,451,210.

**2. CASH AND INVESTMENTS, Continued**

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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***D. External Investment Pool***

The City invests in the California Local Agency Investment Fund (LAIF), a State of California external investment pool. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available.

The City values its investments in LAIF at amortized cost, which approximates the fair market value.

The City's investments with LAIF at June 30, 2004, include a portion of pool funds invested in structured notes and asset-backed securities. These investments may include the following:

*Structured Notes* are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

*Asset-Backed Securities*, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets, such as principal and interest repayments from a pool of mortgages (e.g., CMOs) or credit card receivables.

As of June 30, 2004, the City had \$89,595,476 invested in LAIF, which had invested 1.603% of the pool's funds in structured notes and asset-backed securities.

**3. RECEIVABLES**

As of June 30, 2004, the City had the following receivables:

***A. Housing Loans Receivable***

At June 30, 2004, the City was owed, in its Community Development Block Grant Fund, \$1,147,254, for various housing assistance loans made by the City. The terms of repayment are for 20 years at 5% interest per annum. Because the notes do not meet the City's availability criteria for revenue recognition, the City has deferred the revenue related to these loans.

In its HOME Grant Fund, which is used to account for various affordable housing loans made by the City, the accumulated interest receivable on those loans as of June 30, 2004 is \$415,173.

The City has issued various other housing loans that are expected to be forgiven in future years. As a result, the City has recorded an allowance in anticipation of the amount to be forgiven for loans receivable in the same amount as the outstanding principal on those loans, resulting in a zero balance in the basic financial statements. Interest on the loans is recorded as interest receivable with an offsetting amount of deferred revenue because the City's revenue recognition criteria have not been met. The cumulative

**3. RECEIVABLE, Continued**

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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***A. Housing Loans Receivable, Continued***

amount of these loans as of June 30, 2004 is \$33,689,085 and the accumulated interest receivable is \$4,750,994.

The Supportive Housing Program (SHP) provided \$179,000 for acquisition of 4145 Bay Street for 18 units affordable housing. The loan has a simple 3% interest rate over a 30-year term. The cumulative amount of interest receivable as of June 30, 2004 was \$16,228.

***B. Interest Receivable***

Interest receivable at June 30, 2004 consists of the following:

Interest earnings on investments held by City	\$ 1,474,431
Interest earnings on investments held by fiscal agents	12,286
Interest on housing loans, home loans and rehabilitation loans receivable	<u>5,182,395</u>
<b>Total</b>	<u><u>\$ 6,669,112</u></u>

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

**4. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2004, consists of the following:

	Balance June 30, 2003	Increase	Decrease	Balance June 30, 2004
<b>Nondepreciable Assets:</b>				
Land	\$ 169,530,279	\$ 14,071,908	\$ -	\$ 183,602,187
Land improvements	5,260,249	-	-	5,260,249
Infrastructure	366,649,303	-	-	366,649,303
Construction in progress	42,618,141	13,319,069	-	55,937,210
<b>Total nondepreciable assets</b>	<b>584,057,972</b>	<b>27,390,977</b>	<b>-</b>	<b>611,448,949</b>
<b>Depreciable Assets:</b>				
Building and improvements	79,628,416	45,268	-	79,673,684
Equipment	11,102,022	937,675	-	12,039,697
Vehicle	24,475,773	627,402	(1,512,277)	23,590,898
Infrastructure	316,271,463	741,323	-	317,012,786
<b>Total depreciable assets</b>	<b>431,477,674</b>	<b>2,351,668</b>	<b>(1,512,277)</b>	<b>432,317,065</b>
<b>Less Accumulated Depreciation For:</b>				
Building and improvements	(24,894,817)	(1,988,418)	-	(26,883,235)
Equipment	(7,129,426)	(666,985)	-	(7,796,411)
Vehicle	(10,528,127)	(1,967,280)	1,273,847	(11,221,560)
Infrastructure	(306,249,456)	(436,669)	-	(306,686,125)
<b>Total accumulated depreciation</b>	<b>(348,801,826)</b>	<b>(5,059,352)</b>	<b>1,273,847</b>	<b>(352,587,331)</b>
<b>Total depreciable assets, net</b>	<b>82,675,848</b>	<b>(2,707,684)</b>	<b>(238,430)</b>	<b>79,729,734</b>
<b>Total capital assets, net</b>	<b>\$ 666,733,820</b>	<b>\$ 24,683,293</b>	<b>\$ (238,430)</b>	<b>\$ 691,178,683</b>

As part of the implementation of GASB Statement No. 34, the City commissioned an appraisal of City-owned infrastructure and property as of December 31, 2001 and has completed an internal update to June 30, 2004.

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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**4. CAPITAL ASSETS, Continued**

Depreciation expense was charged to functions and programs of the primary government, as follows:

<b>Governmental Activities:</b>	
General government	\$ 298,609
Police services	654,044
Fire services	1,061,263
Human services	16,069
Capital assets maintenance and operations	2,901,976
Recreation and leisure services	37,427
Community development and environmental services	89,964
<b>Total depreciation expense, governmental activities</b>	<b>\$ 5,059,352</b>

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. The City elected to use the modified approach, as defined by GASB Statement No. 34, for infrastructure reporting for its pavement system. As a result, no accumulated depreciation expense has been recorded for this system. A more detailed discussion of the modified approach is presented in the Required Supplementary Information section of this report. All other capital assets, including other infrastructure systems, are reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded.

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

**5. LONG-TERM DEBT**

A summary of changes in governmental activities long-term debt and compensated absences for the year ended June 30, 2004, is as follows:

	Interest Rates	Amounts Outstanding June 30, 2003	Incurred or Issued	Satisfied or Matured	Amounts Outstanding June 30, 2004	Amounts Due Within One Year	Amounts Due in More than One Year
Redevelopment Agency Tax Allocation Bonds:							
Series 2000	4.125 - 5.10%	\$ 44,645,000	\$ -	\$ (41,610,000)	\$ 3,035,000	\$ 3,035,000	\$ -
Series 2003	4.125 - 5.10%	18,045,000	-	-	18,045,000	540,000	17,505,000
Series 2004	3%-4%	-	41,425,000	-	41,425,000	-	41,425,000
Total tax allocation bonds		62,690,000	41,425,000	(41,610,000)	62,505,000	3,575,000	58,930,000
General Obligation Bond :							
Fire Safety Bond 2003		-	10,000,000	-	10,000,000	180,000	9,820,000
Certificates of Participation:							
1990 Public Financing Authority	Variable	5,500,000	-	(300,000)	5,200,000	300,000	4,900,000
1991 Public Financing Authority	Variable	4,100,000	-	(100,000)	4,000,000	100,000	3,900,000
1997 Public Financing Authority	4.25 - 6.60%	7,600,000	-	(7,600,000)	-	-	-
1998 Public Financing Authority	Variable	11,790,000	-	(220,000)	11,570,000	235,000	11,335,000
1998 Public Financing Authority	4.00 - 4.75%	14,330,000	-	(14,330,000)	-	-	-
1998 Public Financing Authority	3.00 - 4.75%	18,605,000	-	(495,000)	18,110,000	515,000	17,595,000
2001 Public Financing Authority	Variable Rate	34,860,000	-	(640,000)	34,220,000	675,000	33,545,000
2001B Public Financing Authority	Variable Rate	10,055,000	-	(305,000)	9,750,000	320,000	9,430,000
2002 Public Financing Authority	Variable Rate	36,820,000	-	-	36,820,000	830,000	35,990,000
2003 Public Financing Authority	Variable Rate	-	21,930,000	-	21,930,000	-	21,930,000
Total certificates of participation		143,660,000	21,930,000	(23,990,000)	141,600,000	2,975,000	138,625,000
Unamortized Long term bond discount		-	405,709	(43,486)	362,223	-	362,223
Compensated absences		8,782,773	6,359,295	(6,832,434)	8,309,634	1,054,799	7,254,835
Total long-term debt		<u>\$ 215,132,773</u>	<u>\$ 80,120,004</u>	<u>\$ (72,475,920)</u>	<u>\$ 222,776,857</u>	<u>\$ 7,784,799</u>	<u>\$ 214,992,058</u>

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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**5. LONG-TERM DEBT, Continued**

***A. Variable Rate Demand Certificates of Participation (2003 Refinancing Project)***

On July 15, 2003, variable rate demand certificates of participation (COPs) were issued to refinance and restructure two of the City's outstanding fixed interest rate certificates of participation. The par amount of the new COPs is \$21,930,000, with final maturity on August 1, 2025. The proceeds were used for the prepayment and redemption of the City's 1997 COP (Police Facility Refinancing Project) and 1998 COP (Capital Improvement Financing Project). Ambac Assurance Corporation insures the certificates, Dexia Credit Local provides the guaranty for the payment of tendered certificates. Lehman Brothers, Inc., the remarketing agent, will reset the interest rates weekly after August 1, 2005. Annual lease payments will be paid from the general revenues of the City. Principal is due annually on each August 1 commencing in 2004. Interest is due quarterly on each August 1, November 1, February 1 and May 1, commencing in 2004.

***B. Redevelopment Agency Tax Allocation Bonds (Merged Redevelopment Project) Series 2004***

On June 3, 2004, the Redevelopment Agency issued \$41,425,000 of tax allocation bonds with a final maturity date of September 1, 2014. The proceeds of the bonds were used to finance and refinance certain redevelopment activities, including refunding a portion of the \$50,000,000 Redevelopment Agency Tax Allocation Bonds, Series 2000, amounting to \$38,695,000. The bonds are special obligations of the Agency, payable only from tax increment revenue excluding the portion set aside for housing. The payment of the principal and interest is insured by a financial guaranty insurance policy issued by XL Capital Assurance. Interest rates range from 3.00% to 4.00%. Principal is due annually on each September 1 commencing in 2004. Interest is due semiannually on March 1 and September 1 of each year, commencing on September 1, 2004.

***C. General Obligation Bonds, Election of 2002***

On June 11, 2002, the City Council approved a list of projects for inclusion in the Fire Safety Bond (Measure R), which was placed on the November 2002 ballot. In November 2002, Fremont voters approved Measure R by 74.4%, thereby authorizing the City to issue \$51,000,000 in general obligation bonds, to be repaid by a property tax levy. Proceeds from these bonds will be used to replace three fire stations, build a public safety-training center, and make remodeling and seismic improvements to seven existing fire stations. The first issue of these bonds, in the amount of \$10,000,000, was sold on July 17, 2003. These general obligation bonds are rated AA- by Standard & Poor's. Interest on the bonds is payable semiannually on each February 1 and August 1, while principal is payable on August 1 commencing in 2004.

Amounts of long-term debt payable in the government-wide financial statements are generally payable from amounts available in related debt service funds and from annual property tax and certain other revenues collected for the purpose of retiring the respective debt obligations.

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

**5. LONG-TERM DEBT, Continued**

The annual principal and interest requirements of long-term debt are as follows:

Year Ending June 30, 2004	Tax Allocation Bonds		General Obligation Bond		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 3,575,000	\$ 2,606,776	\$ 180,000	\$ 445,867	\$ 2,975,000	\$ 3,673,787
2006	5,565,000	1,935,436	190,000	432,918	3,920,000	3,627,639
2007	5,720,000	1,784,521	200,000	419,268	4,055,000	3,841,857
2008	5,880,000	1,618,856	210,000	404,918	4,210,000	3,440,498
2009	6,060,000	1,438,596	220,000	389,868	4,475,000	3,318,103
2010-2014	30,950,000	3,836,709	1,250,000	1,746,005	24,935,000	14,704,306
2015-2019	4,755,000	95,100	1,500,000	1,493,275	27,955,000	11,076,544
2020-2024	-	-	1,810,000	1,161,366	30,485,000	7,078,459
2025-2028	-	-	2,250,000	731,437	26,655,000	2,883,704
2029-2033	-	-	2,190,000	197,087	11,935,000	408,707
<b>Total</b>	<b>\$ 62,505,000</b>	<b>\$ 13,315,994</b>	<b>\$ 10,000,000</b>	<b>\$ 7,422,009</b>	<b>\$ 141,600,000</b>	<b>\$ 54,053,604</b>

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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**5. LONG-TERM DEBT, Continued**

***D. Special Assessment Debt (No City Commitment)***

Special assessment bonds have been issued under various public improvement acts of the State of California and are secured by liens against properties deemed to have been benefited by the improvements for which the bonds were issued. The City is not liable for repayment and acts only as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings when necessary. These bonds are payable solely from assessments, specific reserves, and the proceeds from property foreclosures. As of June 30, 2004, special assessment and special tax bonded indebtedness (long-term and current portions) was approximately \$60,000,000, which was not recognized in the accompanying basic financial statements.

***E. Community Facilities District Special Tax Bonds (No City Commitment)***

Special tax bonds were issued under the Mello-Roos Community Facilities Act of 1982. The proceeds of the 2001 bonds are to be utilized to finance the acquisition of specified public capital improvements for the development of the District, known as Pacific Commons. The District is intended to be a business park with commercial and industrial facilities. The property owners, with Catellus Development Corporation as the master developer and majority landowner, are obligated to pay the interest and principal on the 2001 bonds through an annual levy pursuant to the Rate and Method of Apportionment approved by the City Council and the qualified elector of the District. The 2001 bonds are not a general debt liability of the City and are solely payable from the annual facilities special tax levy and the reserve fund. As of June 30, 2004, the bonded indebtedness was \$30,000,000.

***F. Residential Mortgage Loan Program (No City Commitment)***

The Agency issued \$148,365,000 of housing program revenue bonds in 1986. The proceeds of the bonds were placed with a trustee for the purpose of providing certain mortgage loans. The trustee disburses the bond proceeds in accordance with the terms of the bond offerings and then services the mortgage loans. The bonds are not an obligation of the City or the Agency. The bond obligations and the related assets held by the trustee are not included in the accompanying basic financial statements.

***G. Defeased Debt***

The 1997 Public Financing Authority Certificates of Participation, Police Building and 1998 Public Financing Authority Certificates of Participation were defeased during the fiscal year ended June 30, 2004. Principal payments of \$190,000 and \$1,290,000 were paid and proceeds of \$20,450,000 were paid to the fiscal agent for the purpose of repaying the Certificates. The balance of the defeased Certificates outstanding as of June 30, 2004, were \$20,450,000.

***H. Compensated Absences***

The City records a liability to recognize the financial effect of unused vacation and other compensated leaves. The total of vacation and other compensated leaves is \$8,309,634 of which \$1,054,799 is due within one year and \$7,254,835 is due in more than one year. The City typically uses the General Fund to liquidate compensated absences.

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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**6. RISK MANAGEMENT**

The City is exposed to various exposures related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City established the Risk Management Internal Service Fund to account for and finance its uninsured risks of loss. Under the City's risk management program, the City retains risk for up to \$350,000 for each workers' compensation claim, \$500,000 for each general liability claim, and \$25,000 for each property claim. The liability for general liability claims in excess of \$500,000 and workers' compensation claims in excess of \$350,000 is discussed below.

The City records estimated liabilities for claims filed or expected to be filed up to the amounts for which it retains risk in the Risk Management Internal Service Fund. Charges to the General Fund and other funds are a percentage of payroll costs, as determined from an analysis of claims costs, and are recorded as expenditures or expenses of such funds and revenues of the Risk Management Internal Service Fund.

The City retained an independent actuary in 2002 and 2004 to perform an analysis of the City's potential liability for its retained risk portions of the general liability and workers' compensation programs. The amount recorded as a liability consists of the specific reserves (self-insured retention) for individual known claims or lawsuits and estimates for incurred but not reported claims. The present value of estimated outstanding losses is calculated using a 5% discount rate to reflect future investment earnings. There were no reductions in insurance coverage from the prior year and there were no insurance settlements that exceeded coverage in each of the past years. However, the 2004 actuarial valuation indicated that claims payable were understated. Recording this adjustment created a negative balance in unrestricted net assets in the Risk Management Internal Service Fund of \$2,072,987. This negative balance will be addressed in 2004/05.

Changes in the balances of claim liabilities (shown as claims payable in the accompanying basic financial statements) during the fiscal years ended June 30, 2004, 2003 and 2002, are as follows:

	2004	2003	2002
Balance, beginning of year	\$ 5,736,564	\$ 6,462,467	\$ 5,879,521
Provision for claims losses	6,474,337	2,893,127	3,678,639
Claims payments	(3,964,901)	(3,619,030)	(3,095,693)
Balance, end of year	<u>\$ 8,246,000</u>	<u>\$ 5,736,564</u>	<u>\$ 6,462,467</u>
Due in one year	<u>\$ 2,851,483</u>	<u>\$ 3,508,908</u>	<u>\$ 3,416,127</u>
Due in more than one year	<u>\$ 5,394,517</u>	<u>\$ 2,227,656</u>	<u>\$ 3,046,340</u>

**A. Participation in Public Entity Risk Pools**

In February 1986, the City joined with other municipalities and regional municipal joint powers authorities to form the California Joint Powers Risk Management Authority (CJPRMA), a public entity risk pool currently operating as a general liability risk management and insurance program for 22 member entities. The purpose of the CJPRMA is to spread the adverse effects of losses among the member agencies. General liability claims in excess of \$500,000 and up to \$25,000,000 per occurrence are covered by the CJPRMA. Five years after settlement of all claims for a program year, CJPRMA retroactively adjusts premium deposits for any excess or deficiency in deposits related to paid claims and reserves.

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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**6. RISK MANAGEMENT, Continued**

***A. Participation in Public Entity Risk Pools, Continued***

Summary financial information for CJPRMA as of and for the year ended June 30, 2003 (latest available date), is as follows:

Cash and investments	\$ 70,739,957
Premiums and fees receivable	933,519
Other assets	77,107
<b>Total assets</b>	<b><u>\$ 71,750,583</u></b>
Total reserves, unearned premiums and other liabilities	\$ 38,040,959
Retained earnings	33,709,624
<b>Total liabilities and retained earnings</b>	<b><u>\$ 71,750,583</u></b>
Net premiums earned	\$ 10,903,921
Loss provision and premiums paid	(3,662,112)
General and administrative expenses	(786,616)
<b>Operating income</b>	<b><u>6,455,193</u></b>
Investment income	8,584,782
<b>Net income</b>	<b><u>\$ 15,039,975</u></b>

The CJPRMA governing board consists of a representative from each member entity. All members have a single vote for policy and charter changes. An executive committee of seven is elected to handle administration. Complete financial statements for the CJPRMA can be obtained from CJPRMA, 2333 San Ramon Valley Blvd., Suite 250, San Ramon, California 94583.

In July 1992, the City joined with other municipalities and special districts to form the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), a public entity risk pool currently operating as a workers' compensation risk management and insurance program for 27 member entities. Workers' compensation claims in excess of \$350,000 and up to \$1,000,000 are covered by LAWCX, and claims in excess of \$1,000,000 are insured with commercial carriers through LAWCX.

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

**6. RISK MANAGEMENT, Continued**

**A. Participation in Public Entity Risk Pools, Continued**

Summary financial information for LAWCX as of and for the year ended June 30, 2003 (latest available date), is as follows:

Cash and investments	\$ 6,659,338
Excess reimbursements receivable	99,441
Premiums and fees receivable	2,020,081
Prepaid assets	1,643
<b>Total assets</b>	<b>\$ 8,780,503</b>
Total reserves, unearned premiums and other liabilities	\$ 8,890,630
Retained earnings	(110,127)
<b>Total liabilities and retained earnings</b>	<b>\$ 8,780,503</b>
Net premiums earned	\$ 6,523,640
Less: Expenses	(5,237,955)
<b>Net income</b>	<b>\$ 1,285,685</b>

Each member of LAWCX is entitled to a seat on the board of directors and to cast weighted votes as set forth in the joint powers agreement. An underwriting committee of five representatives from the members and an executive committee of five representatives are elected to formulate recommendations to the Board. Complete financial statements for LAWCX can be obtained from LAWCX, c/o Bickmore Risk Services, 1020 19<sup>th</sup> Street, Suite 200, Sacramento, California 95814.

**7. INTERFUND TRANSACTIONS**

**A. Interfund Receivables and Payables**

Interfund receivables and payables at June 30, 2004, were as follows:

		Due to	
		Non-Major Governmental Funds	Total
Due from	General Fund	\$ 2,987,150	\$ 2,987,150
	Total	\$ 2,987,150	\$ 2,987,150

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

**7. INTERFUND TRANSACTIONS, Continued**

**B. Interfund Transfers**

Interfund transfers for the year ended June 30, 2004, were as follows:

		Transfers In							Total
		General Fund	Redevelopment Agency	Integrated Waste Mgt	Development Cost Center	Recreation and Leisure Services	Capital Maintenance	Non-Major Governmental Funds	
Transfers Out	General Fund	\$ -	\$ 21,649	\$ 744	\$ 2,330,637	\$ 2,472,951	\$ 17,457,341	\$ 4,534,777	\$ 26,852,320
	Redevelopment Agency	292,752	-	-	-	-	-	1,028	293,780
	Development Impact Fees	900,000	-	-	-	-	-	1,209,054	2,109,054
	State Gas Tax	-	-	-	-	-	1,250,000	-	1,250,000
	Integrated Waste Management	111,906	-	-	-	-	2,000,000	1,090	2,112,996
	Development Cost Center	1,500,619	-	-	-	-	-	99,413	1,600,032
	Recreation and Leisure Services	604,844	-	-	-	-	-	22,117	626,961
	Capital Maintenance	2,266,542	-	-	-	-	-	474,280	2,740,822
	Non-Major Governmental Funds	602,391	-	-	-	-	251,881	544,054	1,398,326
	Internal Service Funds	445,824	-	-	-	-	-	5,843	451,667
	<b>Total</b>	<b>\$ 6,724,878</b>	<b>\$ 21,649</b>	<b>\$ 744</b>	<b>\$ 2,330,637</b>	<b>\$ 2,472,951</b>	<b>\$ 20,959,222</b>	<b>\$ 6,891,656</b>	<b>\$ 39,435,958</b>

**8. RETIREMENT BENEFITS**

**A. California Public Employees' Retirement System**

Plan Description - The City's defined benefit pension plans, City of Fremont Miscellaneous Plan and City of Fremont Safety Plan, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries through the California Public Employees' Retirement System (CalPERS). All permanent City employees classified as full-time, as well as part-time permanent and temporary City employees who work 1,000 or more hours per year, are required to participate in CalPERS. Benefits vest after five years of service.

City employees who retire at or after age 55 (50 for safety employees) are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to at least 2.5% for miscellaneous employees and 3% for safety employees for each year of service of their highest annual salary. The service retirement benefit for public safety is capped at 90% of final compensation. There is no cap on retirement benefits for miscellaneous employees. CalPERS also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance.

**8. RETIREMENT BENEFITS, Continued**

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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***A. California Public Employees' Retirement System, Continued***

The City of Fremont Miscellaneous Plan and City of Fremont Safety Plan are part of the Public Agency portion of CalPERS, an agent multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

*Funding Policy* – Active plan members in the City of Fremont Miscellaneous Plan are required to contribute 7% prior to August 2002 and 8% after July 2002 of their annual covered salary. Active plan members in the City of Fremont Safety Plan are required to contribute 9% of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2003/04 was 7.252% of covered payroll for miscellaneous employees and 13.092% of covered payroll for safety employees. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is actuarially established and may be amended by CalPERS.

*Annual Pension Cost* – For fiscal year 2003/04 the City's annual pension cost was \$6,767,538, which was equal to the City's required and actual contributions. The required contribution rate for fiscal year 2003/04 was determined as part of the June 30, 2001 actuarial valuation, which used the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (1) 8.25% investment rate of return (net of administrative expenses); (2) projected salary increases that vary by duration of service ranging from 3.75% to 14.20% for miscellaneous members, and from 3.75% to 11.59% for safety members; (3) an inflation component of 3.5%, and (4) 3% annual cost-of-living adjustment for miscellaneous members and 2% annual cost-of-living adjustment for safety members. The actuarial values of the Miscellaneous and Safety Plans' assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three-year period. CalPERS' unfunded actuarial accrued liability (or surplus) is amortized as a level percentage of projected payrolls on a closed basis.

The amortization period at June 30, 2001, was 20 years for both miscellaneous and safety members for prior and current service unfunded liabilities.

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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***A. California Public Employees' Retirement System, Continued***

Following is three-year trend information for both plans:

**Three-Year Trend Information for City of Fremont Miscellaneous Plan**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$ -	100%	-
6/30/03	1,318,483	100%	-
6/30/04	2,246,316	100%	-

**Three-Year Trend Information for City of Fremont Safety Plan**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$ 3,784,419	100%	-
6/30/03	3,760,436	100%	-
6/30/04	4,521,222	100%	-

***B. Post-Retirement Benefits***

In addition to providing the retirement benefits described above, the City provides post-retirement healthcare benefits, in accordance with bargaining unit agreements, to qualified retired employees. Retirees must make an election within 90 days following the date of separation from City employment to be eligible for the benefits. The number of employees currently eligible to receive the benefit has increased from 456 in the previous to 481 in the current year. The City reimburses all or part of premium payments for medical insurance. The reimbursement amount is subject to a negotiation process and varies by bargaining unit and retirement date. The benefit is paid monthly to the retiree subject to proof of coverage and attestation of premium payment. The benefit generally ceases upon death of the retiree. Expenditures for post-retirement benefits are recognized on a pay-as-you-go basis. Total expenditures for premium reimbursement in the years ended June 30, 2004 and June 30, 2003, were approximately \$1,052,275 and \$765,219, respectively.

**9. COMMITMENTS AND CONTINGENCIES**

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

In cooperation and financing agreement between the City and the Agency, the City and the Agency agree to share the costs of improvements for four freeway interchanges on Interstate 880. In a joint powers agreement with the City of Milpitas, California, the City of Milpitas has agreed to match the City and Agency's contribution towards the costs of improving one of these four freeway interchanges. As of June 30, 2004, the City and Agency had incurred cumulative project expenditures of \$52,992,022 for the four Interchanges. Management's estimate of remaining project costs, including outside funding sources, is \$222,000,000.

As part of the State's budget-balancing efforts for 2003/04, the City lost \$3,544,000 in so-call motor vehicle license fee (VLF) backfill revenue from the State because the State provided no VLF backfill for the first three months of 2003/04. The State subsequently agreed to repay this amount in August 2006. Because the State continues to face budget challenges, this receivable has not been recorded in the City's financial statements.

The Agency has entered into agreements with various taxing authorities whereby the Agency passes through a portion of its incremental property tax received from the County for these taxing authorities. These payments are shown as intergovernmental expenditures in the accompanying basic financial statements. As of June 30, 2004, the total pass-through obligation of \$7,604,438 had not yet been paid. This amount is included in due to other governmental agencies in the accompanying basic financial statements.

***A. Housing Loan Commitments***

**Maple Square Apartment Homes** - In December 2002, the Agency approved a \$319,715 predevelopment loan to Affirmed Housing Group for predevelopment costs associated with an affordable housing development planned for Maple Street in the Centerville Redevelopment Project Area. On July 1, 2003, the Agency approved an acquisition and development loan to Fremont Family Housing Partners, L.P. (Affirmed Housing Group) for Maple Square apartments in the amount of \$10,892,445, for a total commitment not to exceed \$11,212,160, secured by a deed of trust. As of June 30, 2004, \$3,919,715 has been disbursed for predevelopment and land acquisition costs.

**Bridgeway Expansion** - To date, the Agency has committed a total of \$2,806,500 to the Bridgeway Expansion development consisting of 18 new affordable housing units under construction on Bay Street in

**9. COMMITMENTS AND CONTINGENCIES, Continued**

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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***A. Housing Loan Commitments, Continued***

the Irvington Redevelopment Project Area. The units are being developed by Bridgeway East, L.P., whose general partner is Tri-City Homeless Coalition. As of June 30, 2004, the Agency has appropriated \$2,751,000 of affordable housing funds and \$55,000 of non-housing funds for this development. As of June 30, 2004, \$1,323,888 has been expended for predevelopment, land acquisition and construction costs.

**Fremont Oak Gardens** - To date, the Agency has committed \$3,300,000 of affordable housing funds to Fremont Oak Gardens, a 51-unit senior affordable housing development being built by the Deaf Senior Retirement Corporation. As of June 30, 2004, \$2,991,570 has been expended for predevelopment, land acquisition and construction costs.

**Century Village Apartments** - On September 23, 2003, the Agency approved a \$553,000 affordable housing loan for Mid-Peninsula Century Village Associates, L.P. (Mid-Peninsula Housing Coalition) to address health and safety improvements at Century Village Apartments, located at 41299 Paseo Padre Parkway in Fremont. As of June 30, 2004, \$389,293 has been disbursed for these improvements consisting primarily of a fire sprinkler/alarm system for the 100-unit apartment complex.

**Lincoln Street Apartments** - In September 2003, the Agency approved a loan in an amount of \$131,350 in affordable housing funds towards the construction of an 11-unit apartment complex for very low-income adults with developmental disabilities. The total amount of the City's contribution to this development, including Redevelopment Agency housing funds, is \$1.485 million. This includes funds from the City's CDBG and HOME programs.

**Irvington Family Apartments** - In September 2004, the Agency approved a predevelopment loan in an amount of \$310,000 to BRIDGE Housing Inc., for predevelopment costs associated with the construction of 100 new family apartments in the Irvington Redevelopment Project Area. In January 2005, BRIDGE Housing will apply for approximately \$7.5 million from the Agency for acquisition and development costs.

With respect to the loan commitments described above, the Agency is repaid based on the type of loan and whether the affordable housing units are for sale or rental. If it is an apartment project, borrowers agree to pay the Agency an amount equal to excess cash, which is defined as the operating revenue in excess of the amount required for operation of the development, including current debt service, other mortgage loans, property management fees, taxes, insurance and other operating costs. In the event that excess cash is not generated, all loan principal and interest payments are deferred. If it is a short-term construction loan, borrowers agree to pay the Agency when permanent financing is in place. Loans issued for homeownership are generally repaid with interest at the time of sale or within a specified period or are issued as equity sharing loans. The Agency has not recorded receivables related to these agreements because the amount of the receivables is not currently available.

**10. SUBSEQUENT EVENTS**

**City of Fremont**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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**Tax and Revenue Anticipation Notes**

At June 30, 2004, Tax and Revenue Anticipation Notes (TRANS) payable in the principal amount of \$15,000,000 were outstanding. The notes and related interest are due and payable on October 29, 2004.

The preliminary financing work for the issuance of 2004 notes is in process, with a tentative par amount of \$15,000,000. The expected date of sale is by the end of October 2004. Pending legal counsel review, the issuance date and the par amount may change. The interest rate and cost of issuance cannot be determined until the actual notes are sold. The sale is also subject to changes in economic conditions, which may or may not be favorable for the City to issue the notes.

**City of Fremont**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2004**

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**City of Fremont**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2004**

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**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Fremont**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2004**

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**City of Fremont**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2004**

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**1. BUDGETARY INFORMATION**

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective uses of the City's economic resources, as well as establishing that highest priority objectives are accomplished.

The Annual Budget serves from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. In addition, it establishes the foundation of effective financial planning by providing resource allocation, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a) The City Council adopts an annual budget by resolution prior to August 1 of each fiscal year. The annual budget indicates appropriations by fund or, in some instances, by program. The City Council may adopt supplemental appropriations during the year. At the fund level, expenditures may not legally exceed appropriations. The City Manager is authorized to transfer budgeted amounts between departments or programs within any fund.

The City Manager may also increase appropriations for operating expenditures for the Development Cost Center and Recreation Cost Center when quarterly fee estimates in those funds exceed the amounts estimated at the time of budget adoption because of increased fee activity. Any revisions or transfers that alter the total appropriations of other funds must be approved by the City Council.

- b) Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for the General and certain special revenue funds (specifically Redevelopment Agency, Integrated Waste Management, Development Cost Center and Recreation Services). Project-length budgets are adopted for all capital projects funds, and either project-length budgets or non-appropriated financial plans are adopted for certain other special revenue funds (all special revenue funds except those specifically mentioned in the preceding sentence).
- c) No changes were made to estimate revenues during the year. Supplementary budgetary appropriations were adopted by the City Council during the year; however, these supplemental budgetary appropriations were not material in relation to the budget as originally adopted.

***Encumbrances***

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental fund types. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

**City of Fremont**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2004**

**1. BUDGETARY INFORMATION, Continued**

*Encumbrances, Continued*

Unexpended annual appropriations lapse at the end of the fiscal year; encumbered appropriations are re-budgeted in the next fiscal year. Unexpended capital improvement appropriations are carried forward until the improvements or programs are complete.

Following are the budget comparison schedules for the General Fund and applicable major special revenue funds for which an annual operating budget was adopted.

*Budgetary Comparison Schedule, General Fund*

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>Fund Balance - Beginning</b>	<b>\$ 28,617,000</b>	<b>\$ 28,617,000</b>	<b>\$ 34,059,776</b>	<b>\$ 5,442,776</b>
<b>Resources (inflows):</b>				
Property tax	33,153,000	33,153,000	35,264,364	2,111,364
Sales tax	25,604,000	25,604,000	26,796,489	1,192,489
Business tax	6,242,000	6,242,000	5,323,827	(918,173)
Other taxes	2,886,000	2,886,000	3,380,411	494,411
Motor vehicle in lieu	12,379,000	12,379,000	9,541,508	(2,837,492)
Franchises	7,219,000	7,219,000	7,003,922	(215,078)
Charges for services	6,423,000	6,423,000	7,745,830	1,322,830
Intergovernmental	881,000	881,000	733,763	(147,237)
Investment earnings	1,050,000	1,050,000	480,918	(569,082)
Others	824,000	824,000	532,048	(291,952)
Operating transfers in	6,741,000	6,741,000	6,724,878	(16,122)
Amount available for appropriations	103,402,000	103,402,000	103,527,958	125,958
<b>Charges to appropriations (outflows):</b>				
General government	12,746,727	12,686,926	10,270,078	2,416,848
Police services	38,206,977	38,206,977	37,191,761	1,015,216
Fire services	22,946,813	22,946,813	22,586,818	359,995
Human services	2,423,679	2,423,679	2,423,626	53
Community development and environmental services	649,000	649,000	585,920	63,080
Capital outlay	-	59,801	59,801	-
Debt service:				
Interest and fiscal charges	670,000	670,000	668,517	1,483
Operating transfers out	29,638,000	29,638,000	26,852,320	2,785,680
Total charges to appropriations	107,281,196	107,281,196	100,638,841	6,642,355
Resources over (under) charges to appropriations	(3,879,196)	(3,879,196)	2,889,117	6,768,313
<b>Fund Balance - Ending</b>	<b>\$ 24,737,804</b>	<b>\$ 24,737,804</b>	<b>\$ 36,948,893</b>	<b>\$ 12,211,089</b>

**City of Fremont**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2004**

**1. BUDGETARY INFORMATION, Continued**

**Budgetary Comparison Schedule, Redevelopment Agency**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>Fund Balance - Beginning</b>	<b>\$ 78,670,838</b>	<b>\$ 78,670,838</b>	<b>\$ 121,949,899</b>	<b>\$ 43,279,061</b>
<b>Resources (inflows):</b>				
Property tax	25,458,580	25,458,580	27,440,400	1,981,820
Investment earnings	1,772,662	1,772,662	1,333,602	(439,060)
Other	-	-	126,404	126,404
Proceeds of tax allocation bonds	16,500,000	57,925,000	41,425,000	(16,500,000)
Operating transfers in	-	21,649	21,649	-
Amount available for appropriations	<u>43,731,242</u>	<u>85,177,891</u>	<u>70,347,055</u>	<u>(14,830,836)</u>
<b>Charges to appropriations (outflows):</b>				
Community development and environmental services	50,016,873	50,082,832	16,995,731	33,087,101
Intergovernmental	10,380,937	10,380,937	8,940,670	1,440,267
Capital outlay	11,183,215	11,183,215	11,183,215	-
Debt service:				
Principal	2,915,000	2,915,000	2,915,000	-
Interest and fiscal charges	1,967,662	1,967,662	3,198,011	(1,230,349)
Payments to escrow agent	-	38,695,000	38,695,000	-
Operating transfers out	292,752	280,969	293,780	(12,811)
Total charges to appropriations	<u>76,756,439</u>	<u>115,505,615</u>	<u>82,221,407</u>	<u>33,284,208</u>
Resources over (under) charges to appropriations	<u>(33,025,197)</u>	<u>(30,327,724)</u>	<u>(11,874,352)</u>	<u>18,453,372</u>
<b>Fund Balance - Ending</b>	<b><u>\$ 45,645,641</u></b>	<b><u>\$ 48,343,114</u></b>	<b><u>\$ 110,075,547</u></b>	<b><u>\$ 61,732,433</u></b>

**City of Fremont**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2004**

**1. BUDGETARY INFORMATION, Continued**

**Budgetary Comparison Schedule, Integrated Waste Management**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>Fund Balance - Beginning</b>	<b>\$ 11,953,000</b>	<b>\$ 11,953,000</b>	<b>\$ 9,533,188</b>	<b>\$ (2,419,812)</b>
<b>Resources (inflows):</b>				
Charges for services	2,290,887	2,290,887	3,666,736	1,375,849
Intergovernmental	429,113	429,113	429,113	-
Operating transfers in	-	744	744	-
Amount available for appropriations	2,720,000	2,720,744	4,096,593	1,375,849
<b>Charges to appropriations (outflows):</b>				
Community development and environmental services	1,503,183	1,503,927	1,225,030	278,897
Capital Outlay	2,874,028	2,874,028	2,874,028	-
Operating transfers out	2,145,995	2,145,995	2,112,996	32,999
Total charges to appropriations	6,523,206	6,523,950	6,212,054	311,896
Resources over (under) charges to appropriations	(3,803,206)	(3,803,206)	(2,115,461)	1,687,745
<b>Fund Balance - Ending</b>	<b>\$ 8,149,794</b>	<b>\$ 8,149,794</b>	<b>\$ 7,417,727</b>	<b>\$ (732,067)</b>

**Budgetary Comparison Schedule, Development Cost Center**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>Fund Balance - Beginning</b>	<b>\$ 3,046,129</b>	<b>\$ 3,046,129</b>	<b>\$ 3,254,487</b>	<b>\$ 208,358</b>
<b>Resources (inflows):</b>				
Charges for services	6,859,849	6,868,349	7,205,073	336,724
Investment earnings	163,000	163,000	44,033	(118,967)
Operating transfers in	2,191,000	2,289,634	2,330,637	41,003
Amount available for appropriations	9,213,849	9,320,983	9,579,743	258,760
<b>Charges to appropriations (outflows):</b>				
Community development and environmental services	8,397,689	8,487,823	7,683,602	804,221
Capital outlay	4,241	4,241	4,241	-
Operating transfers out	1,630,947	1,630,947	1,600,032	30,915
Total charges to appropriations	10,032,877	10,123,011	9,287,875	835,136
Resources over (under) charges to appropriations	(819,028)	(802,028)	291,868	1,093,896
<b>Fund Balance - Ending</b>	<b>\$ 2,227,101</b>	<b>\$ 2,244,101</b>	<b>\$ 3,546,355</b>	<b>\$ 1,302,254</b>

**City of Fremont**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2004**

**1. BUDGETARY INFORMATION, Continued**

**Budgetary Comparison Schedule, Recreation Services**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>Fund Balance - Beginning</b>	<b>\$ 5,899,000</b>	<b>\$ 5,899,000</b>	<b>\$ 6,151,263</b>	<b>\$ 252,263</b>
<b>Resources (inflows):</b>				
Charges for services	3,745,003	3,745,003	3,491,286	(253,717)
Investment earnings	250,150	250,150	71,249	(178,901)
Other revenues	81,551	81,551	41,720	(39,831)
Operating transfers in	2,331,565	2,472,951	2,472,951	-
Amount available for appropriations	6,408,269	6,549,655	6,077,206	(472,449)
<b>Charges to appropriations (outflows):</b>				
Recreation and leisure services	5,622,332	5,632,748	5,207,135	425,613
Operating transfers out	710,897	852,283	626,961	225,322
Total charges to appropriations	6,333,229	6,485,031	5,834,096	650,935
Resources over (under) charges to appropriations	75,040	64,624	243,110	178,486
<b>Fund Balance - Ending</b>	<b>\$ 5,974,040</b>	<b>\$ 5,963,624</b>	<b>\$ 6,394,373</b>	<b>\$ 430,749</b>

**2. MODIFIED APPROACH FOR THE CITY'S INFRASTRUCTURE**

In accordance with GASB Statement No. 34, the City accounts for and reports infrastructure capital assets. The City defines infrastructure as the basic physical assets including the street system; park and recreation lands and improvement system; storm water collection system; and site amenities associated with buildings, such as parking and landscaped areas, used by the City in the conduct of its business. Each major infrastructure system is divided into subsystems. For example, the street system is divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the modified approach, as defined by GASB Statement No. 34, for the Roads and Streets networks. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following conditions:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount needed to maintain and preserve at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

**City of Fremont**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2004**

**2. MODIFIED APPROACH FOR THE CITY'S INFRASTRUCTURE, Continued**

In 2001, the City commissioned a study to update the physical condition assessment of the streets. The prior assessment study was completed in 1999. The streets, primarily concrete and asphalt pavements were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of right of way. City-owned streets are classified based on land use, access and traffic utilization into the following four classifications: (1) arterial/major, (2) secondary, (3) collector and (4) local. This condition assessment will be performed every three years. Each street was assigned a physical condition based on 17 potential defects. A Pavement Condition Index (PCI), a nationally recognized index, was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned to the physical characteristics of a new street. The following conditions were defined:

Condition	Rating
Excellent	86-100
Very Good	71-85
Good	56-70
Fair	41-55
Poor	26-40
Very Poor	11-25
Substandard	0-10

The City's policy is to achieve an average rating of 70 for all streets. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds. As of June 30, 2004, the City's street system was rated at a PCI index of 74 on the average with the detail condition as follows:

Condition	Rating	% of Streets	
		June 30, 2004	June 30, 2003
Excellent to Good	56-100	65.7%	66.6%
Fair	41-55	21.2%	19.4%
Poor to Substandard	0-40	13.1%	14.0%

The City's streets are constantly deteriorating due to the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests' trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities, such as pothole patching, street sweeping, and sidewalk repair. The City expended \$2,392,948 on street maintenance for the fiscal year ended June 30, 2004. These expenditures delayed deterioration; however, the overall condition of the streets was not improved through these maintenance expenditures. The City estimates that the amount of annual expenditures required to maintain the City's streets at the average PCI rating of 74 through the year 2005 is an average of \$5,500,000. A schedule of estimated annual amounts calculated to maintain and preserve its streets at the current level compared to actual expenditures for street maintenance for the last five years is presented below.

**City of Fremont**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2004**

**2. MODIFIED APPROACH FOR THE CITY'S INFRASTRUCTURE, Continued**

<u>Fiscal Year</u>	<u>Maintenance Estimate</u>	<u>Actual Expenditures</u>	<u>PCI Rating</u>
1998-99	\$ 4,391,247	\$ 5,667,836	76.75
1999-00	4,340,298	1,478,939	77.00
2000-01	4,275,217	9,933,502	78.00
2001-02	4,296,174	6,484,420	79.00
2002-03	4,255,081	6,777,620	79.00
2003-04	4,655,000	2,392,948	74.00

The City also has an on-going street rehabilitation program funded in the Capital Improvement Program that is intended to improve the condition rating of City streets. The rehabilitation program is formulated based on deficiencies identified as a part of its Pavement Management System (PMS). As of June 30, 2004 approximately 34.3% of the City's streets were rated below the average standard of 70, a slight increase from 2002/03 when 33.4% were rated below 70. This represents a decline since 2001/02, when the City had 31.3% of its streets rated below 70. The City will continue to rehabilitate these segments of the streets. Total deficiencies identified in the PMS amounted to approximately \$89,884,415 for all streets, with \$30,830,354 in deficiencies on street segments rated below the PCI of 70.

**3. DEFINED BENEFIT PENSION PLAN**

A schedule of funding progress for the year ended June 30, 2004, including the past three actuarial valuations, is presented below.

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)**  
**SCHEDULE OF FUNDING PROGRESS**

*Miscellaneous Employees*

<u>Actuarial Valuation Date*</u>	<u>Actuarial Asset Value</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>(Overfunded) Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Actuarial Liability as Percentage of Covered Payroll</u>
6/30/2000	152,340,891	124,496,803	(27,844,088)	122.4%	32,253,847	(86.33%)
6/30/2001	156,466,825	146,611,174	(9,855,651)	106.7%	39,434,332	(24.99%)
6/30/2002	146,258,520	161,226,754	14,968,234	90.7%	40,796,173	36.69%

**City of Fremont**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2004**

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**3. DEFINED BENEFIT PENSION PLAN, Continued**

*Safety Employees*

Actuarial Valuation Date*	Actuarial Asset Value	Entry Age	(Overfunded)		Annual Covered Payroll	(Overfunded)
		Actuarial Accrued Liability	Actuarial Accrued Liability	Funded Ratio		Actuarial Liability as Percentage of Covered Payroll
6/30/2000	\$ 230,558,593	\$ 219,109,254	\$ (11,449,339)	105.2%	\$ 28,137,283	(40.69%)
6/30/2001	238,636,798	233,971,486	(4,665,312)	102.0%	28,357,294	(16.45%)
6/30/2002	226,395,106	254,901,949	28,506,843	88.8%	29,554,068	96.46%

\* Latest available information

## **SUPPLEMENTARY INFORMATION**

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## **NON-MAJOR GOVERNMENTAL FUNDS**

**City of Fremont**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2004**  
(With comparative totals for June 30, 2003)

	Special Revenue Funds			
	Community Development Block Grant	HOME Grant	HUD/HOPE Grant	HUD/SHP Grant
<b>ASSETS</b>				
Cash and investments held by City	\$ -	\$ -	\$ 5,437	\$ -
Restricted cash and investments held by fiscal agent	-	-	-	-
Receivables:				
Due from other governmental agencies	472,134	452,402	-	122,995
Housing rehabilitation loans, net	1,147,254	-	-	-
Accrued interest	-	415,173	-	16,228
Other	-	-	-	-
<b>Total assets</b>	<b>\$ 1,619,388</b>	<b>\$ 867,575</b>	<b>\$ 5,437</b>	<b>\$ 139,223</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 196,016	\$ 82,478	\$ -	\$ 97,839
Salaries and wages payable	5,239	603	-	-
Compensated absences	760	-	-	-
Due to other funds	486,021	369,321	-	25,156
Deferred revenue	931,352	415,173	-	16,228
<b>Total liabilities</b>	<b>1,619,388</b>	<b>867,575</b>	<b>-</b>	<b>139,223</b>
<b>Fund Balances:</b>				
Reserved for encumbrances	392,478	76,132	-	-
Reserved for debt service	-	-	-	-
Unreserved:				
Designated:				
Specific purposes	(392,478)	(76,132)	5,437	-
Capital projects	-	-	-	-
Undesignated	-	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>5,437</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,619,388</b>	<b>\$ 867,575</b>	<b>\$ 5,437</b>	<b>\$ 139,223</b>

Special Revenue Funds

Multi-family Housing	Older Americans Grant	Tri-City Elders	Senior Center	Multipurpose Senior Svc. Program	Agency on Area Aging MSSP	Youth Service Center
\$ 826,619	\$ -	\$ 105,068	\$ 323,772	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	20,425	-	52,948	129,733	39,290	138,082
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	20	-	-	-
<u>\$ 826,619</u>	<u>\$ 20,425</u>	<u>\$ 105,068</u>	<u>\$ 376,740</u>	<u>\$ 129,733</u>	<u>\$ 39,290</u>	<u>\$ 138,082</u>
\$ -	\$ -	\$ 206	\$ 14,690	\$ 6,999	\$ 1,363	\$ 1,503
6,635	-	-	12,643	-	-	-
5,146	-	-	4,673	-	-	-
-	20,425	-	-	122,734	35,828	136,579
134	-	-	-	-	-	-
<u>11,915</u>	<u>20,425</u>	<u>206</u>	<u>32,006</u>	<u>129,733</u>	<u>37,191</u>	<u>138,082</u>
-	-	-	14,302	-	-	4,848
-	-	-	-	-	-	-
814,704	-	104,862	330,432	-	2,099	(4,848)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>814,704</u>	<u>-</u>	<u>104,862</u>	<u>344,734</u>	<u>-</u>	<u>2,099</u>	<u>-</u>
<u>\$ 826,619</u>	<u>\$ 20,425</u>	<u>\$ 105,068</u>	<u>\$ 376,740</u>	<u>\$ 129,733</u>	<u>\$ 39,290</u>	<u>\$ 138,082</u>

(Continued)

**City of Fremont**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds, Continued**  
**June 30, 2004**  
(With comparative totals for June 30, 2003)

	Special Revenue Funds			
	Every Child Counts Grant	Alameda Behavioral Health Care	Measure B	Subsidized Transportation
<b>ASSETS</b>				
Cash and investments held by City	\$ 1,698	\$ -	\$ 320,038	\$ -
Restricted cash and investments				
held by fiscal agent	-	-	-	-
Receivables:				
Due from other governmental agencies	-	7,189	158,969	-
Housing rehabilitation loans, net	-	-	-	-
Accrued interest	-	-	-	-
Other	-	21,861	-	-
<b>Total assets</b>	<b>\$ 1,698</b>	<b>\$ 29,050</b>	<b>\$ 479,007</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 228	\$ 4,884	\$ 148,235	\$ -
Salaries and wages payable	-	-	1,440	-
Compensated absences	-	-	-	-
Due to other funds	-	24,166	-	-
Deferred revenue	-	-	-	-
<b>Total liabilities</b>	<b>228</b>	<b>29,050</b>	<b>149,675</b>	<b>-</b>
<b>Fund Balances:</b>				
Reserved for encumbrances	-	-	-	-
Reserved for debt service	-	-	-	-
Unreserved:				
Designated:				
Specific purposes	1,470	-	329,332	-
Capital projects	-	-	-	-
Undesignated	-	-	-	-
<b>Total fund balances</b>	<b>1,470</b>	<b>-</b>	<b>329,332</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,698</b>	<b>\$ 29,050</b>	<b>\$ 479,007</b>	<b>\$ -</b>

Special Revenue Funds

Family Resource Center	Fremont Social Services JPA	Haas Grant	Cowell Grant	CHIF Grant	Integrated Waste Used Oil Grant	Urban Runoff
\$ 2,879,577	\$ 2,184,755	\$ 32,552	\$ 7,327	\$ 177	\$ 4,388	\$ 1,896,142
-	-	-	-	-	-	-
157,344	-	-	-	-	3,473	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
87,378	-	-	-	-	-	-
<u>\$ 3,124,299</u>	<u>\$ 2,184,755</u>	<u>\$ 32,552</u>	<u>\$ 7,327</u>	<u>\$ 177</u>	<u>\$ 7,861</u>	<u>\$ 1,896,142</u>
\$ 16,304	\$ -	\$ 1,138	\$ 265	\$ 177	\$ 7,861	\$ 3,639
14,255	-	-	-	-	-	5,324
9,106	-	-	852	-	-	395
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>39,665</u>	<u>-</u>	<u>1,138</u>	<u>1,117</u>	<u>177</u>	<u>7,861</u>	<u>9,358</u>
21,047	-	9,374	-	-	-	153,155
-	-	-	-	-	-	-
-	2,184,755	22,040	6,210	-	-	1,733,629
-	-	-	-	-	-	-
3,063,587	-	-	-	-	-	-
<u>3,084,634</u>	<u>2,184,755</u>	<u>31,414</u>	<u>6,210</u>	<u>-</u>	<u>-</u>	<u>1,886,784</u>
<u>\$ 3,124,299</u>	<u>\$ 2,184,755</u>	<u>\$ 32,552</u>	<u>\$ 7,327</u>	<u>\$ 177</u>	<u>\$ 7,861</u>	<u>\$ 1,896,142</u>

(Continued)

**City of Fremont**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds, Continued**  
**June 30, 2004**  
(With comparative totals for June 30, 2003)

	Special Revenue Funds			
	Traffic Safety OTS	Abandoned Vehicle	Narcotics Asset Seizure	COPS AB3229
<b>ASSETS</b>				
Cash and investments held by City	\$ -	\$ -	\$ 399,979	\$ 177,976
Restricted cash and investments held by fiscal agent	-	-	32,805	-
Receivables:				
Due from other governmental agencies	-	66,250	37,500	-
Housing rehabilitation loans, net	-	-	-	-
Accrued interest	-	-	-	-
Other	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 66,250</b>	<b>\$ 470,284</b>	<b>\$ 177,976</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ 10,399	\$ -
Salaries and wages payable	-	-	2,340	-
Compensated absences	-	-	52	-
Due to other funds	-	66,250	-	-
Deferred revenue	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>66,250</b>	<b>12,791</b>	<b>-</b>
<b>Fund Balances:</b>				
Reserved for encumbrances	-	-	7,954	17,178
Reserved for debt service	-	-	-	-
Unreserved:				
Designated:				
Specific purposes	-	-	449,539	160,798
Capital projects	-	-	-	-
Undesignated	-	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>457,493</b>	<b>177,976</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 66,250</b>	<b>\$ 470,284</b>	<b>\$ 177,976</b>

**Special Revenue Funds**

Local Law Enforcement Block Grant	OCJP CLETEP Grant	CLEEP High Tech Grant	Metropolitan		Miscellaneous Federal Grants	Miscellaneous State Support	Traffic Congestion AB2928
			Medical Response System				
\$ 71,096	\$ 16,728	\$ 12,693	\$ 168,732	\$ -	\$ -	\$ -	
-	-	-	-	-	-	-	
-	-	-	-	42,201	264,206	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
<u>\$ 71,096</u>	<u>\$ 16,728</u>	<u>\$ 12,693</u>	<u>\$ 168,732</u>	<u>\$ 42,201</u>	<u>\$ 264,206</u>	<u>\$ -</u>	
\$ -	\$ -	\$ 701	\$ 17,594	\$ -	\$ 496	\$ -	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	28,201	263,710	-	
-	-	-	-	14,000	-	-	
<u>-</u>	<u>-</u>	<u>701</u>	<u>17,594</u>	<u>42,201</u>	<u>264,206</u>	<u>-</u>	
-	-	-	132,676	-	110,302	-	
-	-	-	-	-	-	-	
71,096	16,728	11,992	18,462	-	(110,302)	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
<u>71,096</u>	<u>16,728</u>	<u>11,992</u>	<u>151,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>\$ 71,096</u>	<u>\$ 16,728</u>	<u>\$ 12,693</u>	<u>\$ 168,732</u>	<u>\$ 42,201</u>	<u>\$ 264,206</u>	<u>\$ -</u>	

(Continued)

**City of Fremont**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds, Continued**  
**June 30, 2004**  
(With comparative totals for June 30, 2003)

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>County</u>	<u>Maintenance</u>	<u>Non-Major</u>
	<u>Support for</u>	<u>District</u>	<u>Special</u>
	<u>City Street</u>		<u>Revenue</u>
			<u>Funds</u>
<b>ASSETS</b>			
Cash and investments held by City	\$ 330,510	\$ 146,197	\$ 9,911,461
Restricted cash and investments			
held by fiscal agent	-	-	32,805
Receivables:			
Due from other governmental agencies	-	-	2,165,141
Housing rehabilitation loans, net	-	-	1,147,254
Accrued interest	-	-	431,401
Other	-	-	109,259
<b>Total assets</b>	<u>\$ 330,510</u>	<u>\$ 146,197</u>	<u>\$ 13,797,321</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 9,011	\$ 622,026
Salaries and wages payable	-	-	48,479
Compensated absences	-	-	20,984
Due to other funds	-	-	1,578,391
Deferred revenue	-	-	1,376,887
<b>Total liabilities</b>	<u>-</u>	<u>9,011</u>	<u>3,646,767</u>
<b>Fund Balances:</b>			
Reserved for encumbrances	-	-	939,446
Reserved for debt service	-	-	-
Unreserved:			
Designated:			
Specific purposes	330,510	137,186	6,147,521
Capital projects	-	-	-
Undesignated	-	-	3,063,587
<b>Total fund balances</b>	<u>330,510</u>	<u>137,186</u>	<u>10,150,554</u>
<b>Total liabilities and fund balances</b>	<u>\$ 330,510</u>	<u>\$ 146,197</u>	<u>\$ 13,797,321</u>

Debt Service Funds		Total Non-Major Debt Service	Capital Project Funds			
2003 Fire General Obligation Bonds	Financing Authority		Transportation Development Act	Roberti Open Space	Interchange Construction	Vehicle Replacement
\$ 666,387	\$ -	\$ 666,387	\$ -	\$ 14,057	\$ 3,642,593	\$ 2,990,803
-	3,523,793	3,523,793	-	-	-	-
9,448	-	9,448	438,233	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 675,835</u>	<u>\$ 3,523,793</u>	<u>\$ 4,199,628</u>	<u>\$ 438,233</u>	<u>\$ 14,057</u>	<u>\$ 3,642,593</u>	<u>\$ 2,990,803</u>
\$ -	\$ -	\$ -	\$ 25,980	\$ -	\$ -	\$ 92,208
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	412,253	-	-	-
-	-	-	-	-	-	-
-	-	-	438,233	-	-	92,208
-	-	-	24,767	-	-	287,499
675,835	3,523,793	4,199,628	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(24,767)	14,057	3,642,593	2,611,096
-	-	-	-	-	-	-
675,835	3,523,793	4,199,628	-	14,057	3,642,593	2,898,595
<u>\$ 675,835</u>	<u>\$ 3,523,793</u>	<u>\$ 4,199,628</u>	<u>\$ 438,233</u>	<u>\$ 14,057</u>	<u>\$ 3,642,593</u>	<u>\$ 2,990,803</u>

(Continued)

**City of Fremont**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds, Continued**  
**June 30, 2004**  
(With comparative totals for June 30, 2003)

	Capital Projects Funds			
	Capital Improvement	Capital Improvement - Outside Sources	Measure B	SB 140/300
<b>ASSETS</b>				
Cash and investments held by City	\$ 10,641,356	\$ 5,411,648	\$ 4,402,123	\$ -
Restricted cash and investments held by fiscal agent	-	-	-	-
Receivables:				
Due from other governmental agencies	-	-	533,428	-
Housing rehabilitation loans, net	-	-	-	-
Accrued interest	-	-	-	-
Other	-	-	-	-
<b>Total assets</b>	<b>\$ 10,641,356</b>	<b>\$ 5,411,648</b>	<b>\$ 4,935,551</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 203,143	\$ 308	\$ 41,326	\$ -
Salaries and wages payable	-	-	-	-
Compensated absences	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
<b>Total liabilities</b>	<b>203,143</b>	<b>308</b>	<b>41,326</b>	<b>-</b>
<b>Fund Balances:</b>				
Reserved for encumbrances	6,812,524	141,872	316,096	-
Reserved for debt service	-	-	-	-
Unreserved:				
Designated:				
Specific purposes	-	-	-	-
Capital projects	3,625,689	5,269,468	4,578,129	-
Undesignated	-	-	-	-
<b>Total fund balances</b>	<b>10,438,213</b>	<b>5,411,340</b>	<b>4,894,225</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,641,356</b>	<b>\$ 5,411,648</b>	<b>\$ 4,935,551</b>	<b>\$ -</b>

				Total		
Intermodal		2003		Non-Major		
Surface	Traffic	Fire General		Capital	Total Other	
Transportation	System	Obligation	Financing	Projects	Governmental Funds	
Efficiency Act	Management	Bonds	Authority	Funds	2004	2003
\$ -	\$ -	\$ 6,871,572	\$ -	\$ 33,974,152	\$ 44,552,000	\$ 36,067,767
-	-	-	10,443,710	10,443,710	14,000,308	25,729,536
1,101,992	10,821	-	-	2,084,474	4,259,063	6,358,281
-	-	-	-	-	1,147,254	1,462,678
-	-	22,377	-	22,377	453,778	357,686
-	-	-	-	-	109,259	287,688
<u>\$ 1,101,992</u>	<u>\$ 10,821</u>	<u>\$ 6,893,949</u>	<u>\$ 10,443,710</u>	<u>\$ 46,524,713</u>	<u>\$ 64,521,662</u>	<u>\$ 70,263,636</u>
\$ 116,307	\$ -	\$ 98,248	\$ -	\$ 577,520	\$ 1,199,546	\$ 1,230,434
-	-	-	-	-	48,479	50,006
-	-	-	-	-	20,984	11,895
985,685	10,821	-	-	1,408,759	2,987,150	7,848,865
-	-	-	-	-	1,376,887	759,349
<u>1,101,992</u>	<u>10,821</u>	<u>98,248</u>	<u>-</u>	<u>1,986,279</u>	<u>5,633,046</u>	<u>9,900,549</u>
362,410	-	3,457,129	-	11,402,297	12,341,743	12,583,453
-	-	-	-	-	4,199,628	6,224,202
-	-	-	-	-	6,147,521	9,430,721
(362,410)	-	3,338,572	10,443,710	33,136,137	33,136,137	33,170,195
-	-	-	-	-	3,063,587	(1,045,484)
-	-	6,795,701	10,443,710	44,538,434	58,888,616	60,363,087
<u>\$ 1,101,992</u>	<u>\$ 10,821</u>	<u>\$ 6,893,949</u>	<u>\$ 10,443,710</u>	<u>\$ 46,524,713</u>	<u>\$ 64,521,662</u>	<u>\$ 70,263,636</u>

(Concluded)

# City of Fremont

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

### Non-Major Governmental Funds

For the year ended June 30, 2004

(With comparative totals for the year ended June 30, 2003)

	Special Revenue Funds			
	Community Development Block Grant	HOME Grant	HUD/HOPE Grant	HUD/SHP Grant
<b>REVENUES:</b>				
Property tax	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Intergovernmental	1,904,348	371,206	-	269,790
Investment earnings	-	-	55	-
Other	391,669	-	-	-
<b>Total revenues</b>	<b>2,296,017</b>	<b>371,206</b>	<b>55</b>	<b>269,790</b>
<b>EXPENDITURES:</b>				
Current:				
Police services	-	-	-	-
Fire services	-	-	-	-
Human services	-	-	-	-
Capital assets maintenance and operations	263,782	-	-	-
Community development and environmental services	1,625,769	479,419	-	269,790
Capital outlay	264,312	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>2,153,863</b>	<b>479,419</b>	<b>-</b>	<b>269,790</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>142,154</b>	<b>(108,213)</b>	<b>55</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Debt proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(142,154)	-	-	-
Payment to escrow agent	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(142,154)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>(108,213)</b>	<b>55</b>	<b>-</b>
<b>FUND BALANCES:</b>				
Beginning of year	-	108,213	5,382	-
End of year	\$ -	\$ -	\$ 5,437	\$ -

Special Revenue Funds

Multi-family Housing	Older Americans Grant	Tri-City Elders	Senior Center	Multipurpose Senior Svc. Program	Agency on Area Aging MSSP	Youth Service Center
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
88,855	-	1,900	162,842	-	-	-
-	50,060	-	71,451	235,446	119,063	408,767
10,015	-	1,070	-	-	-	-
-	-	22,216	134,318	-	1,084	-
98,870	50,060	25,186	368,611	235,446	120,147	408,767
-	-	-	-	-	-	-
-	-	-	-	-	-	-
224,390	50,060	20,725	536,040	225,588	120,147	408,767
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
224,390	50,060	20,725	536,040	225,588	120,147	408,767
(125,520)	-	4,461	(167,429)	9,858	-	-
-	-	-	-	-	-	-
-	-	-	245,000	-	-	-
(26,364)	-	-	-	(9,858)	-	-
-	-	-	-	-	-	-
(26,364)	-	-	245,000	(9,858)	-	-
(151,884)	-	4,461	77,571	-	-	-
966,588	-	100,401	267,163	-	2,099	-
\$ 814,704	\$ -	\$ 104,862	\$ 344,734	\$ -	\$ 2,099	\$ -

(Continued)

# City of Fremont

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

### Non-Major Governmental Funds, Continued

For the year ended June 30, 2004

(With comparative totals for the year ended June 30, 2003)

	Special Revenue Funds			
	Every Child Counts Grant	Alameda Behavioral Health Care	Measure B	Subsidized Transportation
<b>REVENUES:</b>				
Property Tax	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	1,663	-
Intergovernmental	75,000	136,538	632,126	-
Investment earnings	-	-	3,062	-
Other	-	-	-	-
<b>Total revenues</b>	<b>75,000</b>	<b>136,538</b>	<b>636,851</b>	<b>-</b>
<b>EXPENDITURES:</b>				
Current:				
Police services	-	-	-	-
Fire services	-	-	-	-
Human services	73,530	130,331	660,900	3,871
Capital assets maintenance and operations	-	-	-	-
Community development and environmental services	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>73,530</b>	<b>130,331</b>	<b>660,900</b>	<b>3,871</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>1,470</b>	<b>6,207</b>	<b>(24,049)</b>	<b>(3,871)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Debt proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(6,207)	-	-
Payment to escrow agent	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(6,207)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>1,470</b>	<b>-</b>	<b>(24,049)</b>	<b>(3,871)</b>
<b>FUND BALANCES:</b>				
Beginning of year	-	-	353,381	3,871
End of year	\$ 1,470	\$ -	\$ 329,332	\$ -

Special Revenue Funds

Family Resource Center	Fremont Social Services JPA	Haas Grant	Cowell Grant	CHIF Grant	Integrated Waste Used Oil Grant	Urban Runoff
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
830,739	-	-	-	-	-	1,296,613
183,398	-	-	-	-	70,766	-
24,264	25,000	357	46	-	110	-
85,548	-	75,000	110,019	-	-	-
<u>1,123,949</u>	<u>25,000</u>	<u>75,357</u>	<u>110,065</u>	<u>-</u>	<u>70,876</u>	<u>1,296,613</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
336,791	-	83,663	133,663	15,230	-	-
342	-	-	-	-	-	195,534
-	-	-	-	-	92,371	841,202
-	-	-	-	-	-	-
-	-	-	-	-	-	-
59,256	-	-	-	-	-	-
<u>396,389</u>	<u>-</u>	<u>83,663</u>	<u>133,663</u>	<u>15,230</u>	<u>92,371</u>	<u>1,036,736</u>
727,560	25,000	(8,306)	(23,598)	(15,230)	(21,495)	259,877
-	-	-	-	-	-	-
212,271	-	-	-	-	-	4,282
(536,199)	(208,903)	-	-	-	-	(108,663)
-	-	-	-	-	-	-
<u>(323,928)</u>	<u>(208,903)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(104,381)</u>
403,632	(183,903)	(8,306)	(23,598)	(15,230)	(21,495)	155,496
2,681,002	2,368,658	39,720	29,808	15,230	21,495	1,731,288
<u>\$ 3,084,634</u>	<u>\$ 2,184,755</u>	<u>\$ 31,414</u>	<u>\$ 6,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,886,784</u>

(Continued)

# City of Fremont

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

### Non-Major Governmental Funds, Continued

For the year ended June 30, 2004

(With comparative totals for the year ended June 30, 2003)

	Special Revenue Funds			
	Traffic Safety OTS	Abandoned Vehicle	Narcotics Asset Seizure	COPS AB3229
<b>REVENUES:</b>				
Property Tax	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Intergovernmental	54,187	133,835	268,913	311,333
Investment earnings	-	-	3,184	740
Other	-	-	-	-
<b>Total revenues</b>	<b>54,187</b>	<b>133,835</b>	<b>272,097</b>	<b>312,073</b>
<b>EXPENDITURES:</b>				
Current:				
Police services	54,187	133,835	157,157	134,097
Fire services	-	-	-	-
Human services	-	-	-	-
Capital assets maintenance and operations	-	-	-	-
Community development and environmental services	-	-	-	-
Capital outlay	-	-	47,045	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>54,187</b>	<b>133,835</b>	<b>204,202</b>	<b>134,097</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>67,895</b>	<b>177,976</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Debt proceeds	-	-	-	-
Transfers in	-	-	50,000	-
Transfers out	-	-	-	-
Payment to escrow agent	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>117,895</b>	<b>177,976</b>
<b>FUND BALANCES:</b>				
Beginning of year	-	-	339,598	-
End of year	\$ -	\$ -	\$ 457,493	\$ 177,976

**Special Revenue Funds**

Local Law Enforcement Block Grant	OCJP CLETEP Grant	CLEEP High Tech Grant	Metropolitan Medical Response System	Miscellaneous Federal Grants	Miscellaneous State Support	Traffic Congestion AB2928
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
85,559	-	-	400,601	268,871	5,564,360	-
191	168	290	579	-	-	-
-	-	-	-	-	-	-
<u>85,750</u>	<u>168</u>	<u>290</u>	<u>401,180</u>	<u>268,871</u>	<u>5,564,360</u>	<u>-</u>
14,654	-	18,115	-	47,782	184,355	-
-	-	-	319,450	144,672	-	-
-	-	-	-	33,298	-	-
-	-	-	-	43,119	76,992	99,539
-	-	-	-	-	20,030	-
-	-	8,757	29,264	-	5,282,983	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>14,654</u>	<u>-</u>	<u>26,872</u>	<u>348,714</u>	<u>268,871</u>	<u>5,564,360</u>	<u>99,539</u>
<u>71,096</u>	<u>168</u>	<u>(26,582)</u>	<u>52,466</u>	<u>-</u>	<u>-</u>	<u>(99,539)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(50,000)
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
71,096	168	(26,582)	52,466	-	-	(149,539)
-	16,560	38,574	98,672	-	-	149,539
<u>\$ 71,096</u>	<u>\$ 16,728</u>	<u>\$ 11,992</u>	<u>\$ 151,138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

# City of Fremont

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

### Non-Major Governmental Funds, Continued

For the year ended June 30, 2004

(With comparative totals for the year ended June 30, 2003)

	Special Revenue Funds		Total Non-Major Special Revenue Funds
	County Support for City Streets	Maintenance District	
<b>REVENUES:</b>			
Property Tax	\$ -	\$ -	\$ -
Charges for services	-	101,281	2,483,893
Intergovernmental	-	-	11,615,618
Investment earnings	7,735	-	76,866
Other	-	-	819,854
<b>Total revenues</b>	<b>7,735</b>	<b>101,281</b>	<b>14,996,231</b>
<b>EXPENDITURES:</b>			
Current:			
Police services	-	-	744,182
Fire services	-	-	464,122
Human services	-	-	3,056,994
Capital assets maintenance and operations	433,026	99,484	1,211,818
Community development and environmental services	-	-	3,328,581
Capital outlay	-	-	5,632,361
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	59,256
<b>Total expenditures</b>	<b>433,026</b>	<b>99,484</b>	<b>14,497,314</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(425,291)</b>	<b>1,797</b>	<b>498,917</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Debt proceeds	-	-	-
Transfers in	-	-	511,553
Transfers out	-	(4,974)	(1,093,322)
Payment to escrow agent	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(4,974)</b>	<b>(581,769)</b>
<b>Net change in fund balances</b>	<b>(425,291)</b>	<b>(3,177)</b>	<b>(82,852)</b>
<b>FUND BALANCES:</b>			
Beginning of year	755,801	140,363	10,233,406
End of year	<u>\$ 330,510</u>	<u>\$ 137,186</u>	<u>\$ 10,150,554</u>

Debt Service Funds		Total Non-Major Debt Service Fund	Capital Projects Funds			
2003 Fire General Obligation Bond	Financing		Transportation Development Act	Roberti Open Space	Interchange Construction	Vehicle Replacement
\$ 681,193	\$ -	\$ 681,193	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
7,554	-	7,554	487,231	-	-	-
236	330,711	330,947	-	142	22,400	23,273
-	-	-	-	-	-	105,133
<u>688,983</u>	<u>330,711</u>	<u>1,019,694</u>	<u>487,231</u>	<u>142</u>	<u>22,400</u>	<u>128,406</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	487,231	-	-	21,088
-	-	-	-	-	-	-
-	-	-	-	-	-	515,378
-	3,540,000	3,540,000	-	-	-	-
<u>13,148</u>	<u>4,008,680</u>	<u>4,021,828</u>	-	-	-	-
<u>13,148</u>	<u>7,548,680</u>	<u>7,561,828</u>	<u>487,231</u>	-	-	<u>536,466</u>
<u>675,835</u>	<u>(7,217,969)</u>	<u>(6,542,134)</u>	-	<u>142</u>	<u>22,400</u>	<u>(408,060)</u>
-	21,930,000	21,930,000	-	-	-	-
-	3,038,393	3,038,393	-	-	1,209,054	1,081,823
-	(833)	(833)	-	-	-	-
-	(20,450,000)	(20,450,000)	-	-	-	-
-	<u>4,517,560</u>	<u>4,517,560</u>	-	-	<u>1,209,054</u>	<u>1,081,823</u>
<u>675,835</u>	<u>(2,700,409)</u>	<u>(2,024,574)</u>	-	<u>142</u>	<u>1,231,454</u>	<u>673,763</u>
-	6,224,202	6,224,202	-	13,915	2,411,139	2,224,832
<u>\$ 675,835</u>	<u>\$ 3,523,793</u>	<u>\$ 4,199,628</u>	<u>\$ -</u>	<u>\$ 14,057</u>	<u>\$ 3,642,593</u>	<u>\$ 2,898,595</u>

(Continued)

# City of Fremont

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

### Non-Major Governmental Funds, Continued

For the year ended June 30, 2004

(With comparative totals for the year ended June 30, 2003)

	Capital Projects Funds			
	Capital Improvement	Capital Improvement - Outside Sources	Measure B	SB 140/300
<b>REVENUES:</b>				
Property Tax	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Intergovernmental	-	-	2,142,268	-
Investment earnings	104,784	-	43,242	-
Other	-	148,933	-	-
<b>Total revenues</b>	<b>104,784</b>	<b>148,933</b>	<b>2,185,510</b>	<b>-</b>
<b>EXPENDITURES:</b>				
Current:				
Police services	-	-	-	-
Fire services	-	-	-	-
Human services	-	-	-	-
Capital assets maintenance and operations	727,459	141,290	1,720,976	36,999
Community development and environmental services	-	-	-	-
Capital outlay	717,147	342,821	246,944	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>1,444,606</b>	<b>484,111</b>	<b>1,967,920</b>	<b>36,999</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,339,822)</b>	<b>(335,178)</b>	<b>217,590</b>	<b>(36,999)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Debt proceeds	-	-	-	-
Transfers in	1,050,000	-	-	-
Transfers out	(261,233)	-	-	(32,415)
Payment to escrow agent	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>788,767</b>	<b>-</b>	<b>-</b>	<b>(32,415)</b>
<b>Net change in fund balances</b>	<b>(551,055)</b>	<b>(335,178)</b>	<b>217,590</b>	<b>(69,414)</b>
<b>FUND BALANCES:</b>				
Beginning of year	10,989,268	5,746,518	4,676,635	69,414
End of year	\$ 10,438,213	\$ 5,411,340	\$ 4,894,225	\$ -

Capital Projects Funds				Total Non-Major Capital Projects Funds	Total Other Governmental Funds	
Intermodal Surface Transportation Efficiency Act	Traffic System Management	2003 Fire General Obligation Bonds	Financing Authority		2004	2003
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 681,193	\$ -
-	-	-	-	-	2,483,893	2,412,039
1,674,970	10,821	-	-	4,315,290	15,938,462	14,500,652
-	-	75,290	253,774	522,905	930,718	1,702,873
-	-	-	-	254,066	1,073,920	406,274
1,674,970	10,821	75,290	253,774	5,092,261	21,108,186	19,021,838
-	-	-	-	-	744,182	1,340,717
-	-	-	-	-	464,122	30,834
-	-	-	-	-	3,056,994	2,836,551
1,674,970	10,821	-	-	4,820,834	6,032,652	8,933,502
-	-	-	-	-	3,328,581	3,519,932
-	-	2,818,256	7,807,061	12,447,607	18,079,968	14,662,980
-	-	-	-	-	3,540,000	2,585,000
-	-	228,403	-	228,403	4,309,487	4,370,283
1,674,970	10,821	3,046,659	7,807,061	17,496,844	39,555,986	38,279,799
-	-	(2,971,369)	(7,553,287)	(12,404,583)	(18,447,800)	(19,257,961)
-	-	10,000,000	-	10,000,000	31,930,000	36,820,000
-	-	-	833	3,341,710	6,891,656	68,854,364
-	(10,524)	-	-	(304,172)	(1,398,327)	(56,116,331)
-	-	-	-	-	(20,450,000)	(5,685,000)
-	(10,524)	10,000,000	833	13,037,538	16,973,329	43,873,033
-	(10,524)	7,028,631	(7,552,454)	632,955	(1,474,471)	24,615,072
-	10,524	(232,930)	17,996,164	43,905,479	60,363,087	35,748,015
\$ -	\$ -	\$ 6,795,701	\$ 10,443,710	\$ 44,538,434	\$ 58,888,616	\$ 60,363,087

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## **PROPRIETARY FUNDS**

**City of Fremont**  
**Combining Statement of Net Assets**  
**Proprietary Fund Type**  
**June 30, 2004**  
(With comparative totals for June 30, 2003)

	Internal Service Funds			
			Totals	
	Risk Management	Information Technology	2004	2003
ASSETS				
Cash and investments held by City	\$ 3,517,869	\$ 267,406	\$ 3,785,275	\$ 4,612,649
Receivables:				
Other	3,745	181,770	185,515	230,103
Depreciable asset	-	8,334,620	8,334,620	7,853,901
Less accumulated depreciation	-	(3,811,374)	(3,811,374)	(3,631,911)
Land for Sale	2,821,430	-	2,821,430	2,821,430
Total assets	6,343,044	4,972,422	11,315,466	11,886,172
LIABILITIES				
Accounts payable	125,286	107,882	233,168	191,480
Salaries and wages payable	44,743	62,198	106,941	112,443
Compensated absences	-	8,903	8,903	9,838
Claims payable	8,246,000	-	8,246,000	5,736,564
Other accrued liabilities	2	-	2	54
Total liabilities	8,416,031	178,983	8,595,014	6,050,379
NET ASSETS				
Invested in capital assets	-	4,523,246	4,523,246	4,221,990
Unrestricted	(2,072,987)	270,193	(1,802,794)	1,613,803
Total net assets	\$ (2,072,987)	\$ 4,793,439	\$ 2,720,452	\$ 5,835,793

# City of Fremont

## Combining Statement of Revenues, Expenses and Changes in Net Assets

### Proprietary Fund Type

For the year ended June 30, 2004

(With comparative totals for the year ended June 30, 2003)

	Internal Service Funds			
	Risk Management	Information Technology	Totals	
			2004	2003
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 4,443,456	\$ 3,482,832	\$ 7,926,288	\$ 8,239,434
Other	50,861	26,201	77,062	61,553
<b>Total operating revenues</b>	<b>4,494,317</b>	<b>3,509,033</b>	<b>8,003,350</b>	<b>8,300,987</b>
<b>OPERATING EXPENSES:</b>				
Salaries and wages	361,318	2,015,399	2,376,717	2,410,770
Insurance premiums	709,484	-	709,484	724,676
Provision for claim losses	6,474,337	-	6,474,337	2,893,127
Claims administration	262,678	-	262,678	302,129
Materials and supplies	40,223	648,122	688,345	1,414,550
Depreciation	-	179,463	179,463	341,869
Other	5,532	40,284	45,816	44,033
<b>Total operating expenses</b>	<b>7,853,572</b>	<b>2,883,268</b>	<b>10,736,840</b>	<b>8,131,154</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(3,359,255)</b>	<b>625,765</b>	<b>(2,733,490)</b>	<b>169,833</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income	35,678	(83)	35,595	139,606
<b>Total nonoperating revenues (expenses)</b>	<b>35,678</b>	<b>(83)</b>	<b>35,595</b>	<b>139,606</b>
Contributed capital assets	-	-	-	4,469,578
Transfers in	18,806	15,415	34,221	34,627
Transfers out	-	(451,667)	(451,667)	(567,242)
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(3,304,771)</b>	<b>189,430</b>	<b>(3,115,341)</b>	<b>4,246,402</b>
<b>NET ASSETS:</b>				
Beginning of year	1,231,784	4,604,009	5,835,793	1,589,391
End of year	\$ (2,072,987)	\$ 4,793,439	\$ 2,720,452	\$ 5,835,793

**City of Fremont**  
**Combining Statement of Cash Flows**  
**Proprietary Fund Type**  
**For the year ended June 30, 2004**  
(With comparative totals for the year ended June 30, 2003)

	Internal Service Funds			
	Risk Management	Information Technology	Totals	
			2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from users	\$ 4,444,973	\$ 3,525,903	\$ 7,970,876	\$ 8,265,402
Other revenue	50,861	37,380	88,241	61,553
Less: Payments to suppliers	(996,343)	(628,645)	(1,624,988)	(2,449,426)
Payments to employees for services	(360,626)	(2,033,707)	(2,394,333)	(2,446,351)
Payments for claims paid	(3,964,901)	-	(3,964,901)	(3,619,030)
Payments to equipment	-	(480,719)	(480,719)	-
Payments to others	(52)	(39,647)	(39,699)	(40,755)
<b>Net cash provided (used) by operating activities</b>	<b>(826,088)</b>	<b>380,565</b>	<b>(445,523)</b>	<b>(228,607)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest on cash and investments	35,678	(83)	35,595	139,606
<b>Net cash provided by investing activities</b>	<b>35,678</b>	<b>(83)</b>	<b>35,595</b>	<b>139,606</b>
<b>CASH FLOWS FROM NON CAPITAL ACTIVITIES:</b>				
Transfers in	18,806	15,415	34,221	34,627
Transfers out	-	(451,667)	(451,667)	(567,242)
<b>Net cash provided (used) by noncapital activities</b>	<b>18,806</b>	<b>(436,252)</b>	<b>(417,446)</b>	<b>(532,615)</b>
<b>Net increase (decrease) in cash and cash investments</b>	<b>(771,604)</b>	<b>(55,770)</b>	<b>(827,374)</b>	<b>(621,616)</b>
<b>CASH AND INVESTMENTS:</b>				
Beginning of year	4,289,473	323,176	4,612,649	5,234,265
End of year	<u>\$ 3,517,869</u>	<u>\$ 267,406</u>	<u>\$ 3,785,275</u>	<u>\$ 4,612,649</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (3,359,255)	\$ 625,765	\$ (2,733,490)	\$ 169,833
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	179,463	179,463	341,869
Changes in assets and liabilities:				
Accounts receivable	1,517	43,071	44,588	25,968
Accounts payable	21,574	20,114	41,688	(2,761)
Salaries and wages payable	692	(6,194)	(5,502)	(37,897)
Compensated absences	-	(935)	(935)	2,316
Claims payable	2,509,436	-	2,509,436	(725,903)
Machinery & Equipment	-	(480,719)	(480,719)	(2,032)
Other accrued activities	(52)	-	(52)	-
<b>Net cash provided (used) by operating activities</b>	<b>\$ (826,088)</b>	<b>\$ 380,565</b>	<b>\$ (445,523)</b>	<b>\$ (228,607)</b>

## FIDUCIARY FUND FINANCIAL STATEMENTS

**Agency Funds** are used to account for assets held by the City on behalf of others as their agent. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve measurement of results of operations. Specific agency funds are as follows:

***Local Improvement Districts*** - Special assessment bonds were issued by local improvement districts under various public improvement acts of the State of California and are secured by liens against properties deemed to have been benefited by the improvements for which the bonds were issued. The City acts as an agent in collecting the assessments from the property owners, forwarding the collections to bondholders, and initiating foreclosure proceedings when necessary. This fund also accounts for the City of Fremont Community Facilities District No. 1. \$30 million of Series 2001 bonds that were issued to finance the first phase of public improvements at Pacific Commons, which will include the extension of Cushing Parkway, a priority item for the City of Fremont. The bonds have a series of maturities of up to 30 years and have a weighted average fixed interest rate of 6.20%.

***Performance Bonds, Deposits and Confiscated Assets*** - This fund accounts for bonds and deposits received in conjunction with construction activity within the City, assets confiscated by the police and other deposits, held by the City in a fiduciary capacity.

***Tri-City Waste Facility Financing Authority*** - This fund accounts for the revenue bonds issued by the cities of Fremont, Newark and Union City to pay for the cities' share of the future landfill closing costs of the Durham Road Landfill.

***Tri-City Waste Disposal Authority*** - This fund provides for the administration of funds collected by the Tri-City Waste Disposal Authority, which exists to administer disposal agreements for solid waste generated in the cities of Newark, Union City and Fremont.

***Southern Alameda County GIS*** - This fund accounts for monies collected from participating agencies for the administration of the program. The City of Fremont is the administrator of the Geographic Information System which serves the participating agencies. The program operates under a JPA that was approved by the City of Fremont, City of Union City, City of Newark, Union Sanitary District and Alameda County Water District.

**City of Fremont**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2004**  
(With comparative totals for June 30, 2003)

	Local Improvement Districts	Performance Bonds, Deposits and Confiscated Assets	Tri-City Waste Facility Financing Authority	Tri-City Waste Disposal Authority	Southern Alameda County GIS	Total	
						2004	2003
<b><u>All Agency Funds</u></b>							
<b>Assets:</b>							
Cash and investments held by City	\$ 13,097,911	\$ 1,058,025	\$ 313,601	\$ 43,246	\$ -	\$ 14,512,783	\$ 15,084,235
Restricted cash and investments held by fiscal agent	24,697,023	20,076	765,247	-	-	25,482,346	25,055,681
Accounts receivable	-	-	-	-	-	-	15,508
Other receivables	19,765	-	41,312	-	28,028	89,105	41,266
<b>Total assets</b>	<b>\$ 37,814,699</b>	<b>\$ 1,078,101</b>	<b>\$ 1,120,160</b>	<b>\$ 43,246</b>	<b>\$ 28,028</b>	<b>\$ 40,084,234</b>	<b>\$ 40,196,690</b>
<b>Liabilities:</b>							
Accounts payable	\$ -	\$ 33,011	\$ -	\$ -	\$ 2,593	\$ 35,604	\$ 8,752
Deposits	37,814,699	1,045,090	1,120,160	43,246	25,435	40,048,630	40,187,938
<b>Total liabilities</b>	<b>\$ 37,814,699</b>	<b>\$ 1,078,101</b>	<b>\$ 1,120,160</b>	<b>\$ 43,246</b>	<b>\$ 28,028</b>	<b>\$ 40,084,234</b>	<b>\$ 40,196,690</b>

City of Fremont  
Statement of Changes in Assets and Liabilities  
Agency Funds  
For the year ended June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<b>Local Improvement Districts</b>				
<b>Assets:</b>				
Cash and investments held by City	\$ 13,232,868	\$ 13,466,589	\$ (13,601,546)	\$ 13,097,911
Restricted cash and investments held by fiscal agent	24,271,394	13,881,069	(13,455,440)	24,697,023
Other receivables	-	6,384,414	(6,364,649)	19,765
<b>Total assets</b>	<b>\$ 37,504,262</b>	<b>\$ 33,732,072</b>	<b>\$ (33,421,635)</b>	<b>\$ 37,814,699</b>
<b>Liabilities:</b>				
Deposits	\$ 37,504,262	\$ 15,544,729	\$ (15,234,292)	\$ 37,814,699
<b>Total liabilities</b>	<b>\$ 37,504,262</b>	<b>\$ 15,544,729</b>	<b>\$ (15,234,292)</b>	<b>\$ 37,814,699</b>
<b>Performance Bonds, Deposits and Confiscated Assets</b>				
<b>Assets:</b>				
Cash and investments held by City	\$ 1,180,518	\$ 602,529	\$ (725,022)	\$ 1,058,025
Restricted cash and investments held by fiscal agent	\$ 19,814	\$ 299	\$ (37)	\$ 20,076
<b>Total assets</b>	<b>\$ 1,200,332</b>	<b>\$ 602,828</b>	<b>\$ (725,059)</b>	<b>\$ 1,078,101</b>
<b>Liabilities:</b>				
Accounts payable	\$ 8,752	\$ 705,598	\$ (681,339)	\$ 33,011
Deposits	1,191,580	1,898,059	(2,044,549)	1,045,090
<b>Total liabilities</b>	<b>\$ 1,200,332</b>	<b>\$ 2,603,657</b>	<b>\$ (2,725,888)</b>	<b>\$ 1,078,101</b>
<b>Tri-City Waste Facility Financing Authority</b>				
<b>Assets:</b>				
Cash and investments held by City	\$ 321,767	\$ 682,711	\$ (690,877)	\$ 313,601
Restricted cash and investments held by fiscal agent	764,473	764,917	(764,143)	765,247
Other receivables	36,477	497,460	(492,625)	41,312
<b>Total assets</b>	<b>\$ 1,122,717</b>	<b>\$ 1,945,088</b>	<b>\$ (1,947,645)</b>	<b>\$ 1,120,160</b>
<b>Liabilities:</b>				
Deposits	\$ 1,122,717	\$ 1,196,173	\$ (1,198,730)	\$ 1,120,160
<b>Total liabilities</b>	<b>\$ 1,122,717</b>	<b>\$ 1,196,173</b>	<b>\$ (1,198,730)</b>	<b>\$ 1,120,160</b>
<b>Tri-City Waste Disposal Authority</b>				
<b>Assets:</b>				
Cash and investments held by City	\$ 308,269	\$ 36,563	\$ (301,586)	\$ 43,246
Other receivables	4,789	-	(4,789)	-
<b>Total assets</b>	<b>\$ 313,058</b>	<b>\$ 36,563</b>	<b>\$ (306,375)</b>	<b>\$ 43,246</b>
<b>Liabilities:</b>				
Deposits	\$ 313,058	\$ 111,018	\$ (380,830)	\$ 43,246
<b>Total liabilities</b>	<b>\$ 313,058</b>	<b>\$ 111,018</b>	<b>\$ (380,830)</b>	<b>\$ 43,246</b>

(Continued)

City of Fremont  
Statement of Changes in Assets and Liabilities  
Agency Funds, Continued  
For the year ended June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<b>Southern Alameda County GIS</b>				
<b>Assets:</b>				
Cash and investments held by City	\$ 40,813	\$ 76,346	\$ (117,159)	\$ -
Accounts receivable	15,508	83,809	(71,289)	28,028
<b>Total assets</b>	<b>\$ 56,321</b>	<b>\$ 160,155</b>	<b>\$ (188,448)</b>	<b>\$ 28,028</b>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 72,032	\$ (69,439)	\$ 2,593
Deposits	56,321	-	(30,886)	25,435
<b>Total liabilities</b>	<b>\$ 56,321</b>	<b>\$ 72,032</b>	<b>\$ (100,325)</b>	<b>\$ 28,028</b>

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## **STATISTICAL SECTION**

**City of Fremont**  
**General Governmental Revenues by Source**  
**June 30, 2004**  
**Last Ten Fiscal Years**  
(Unaudited)

Fiscal Year	Taxes and Franchises	Licenses and Permits	Fines and Forfeitures	Inter-Governmental	Charges for Services	Use of Money and Property
1994-1995	\$ 74,335,637	\$ 4,067,943	\$ 501,781	\$ 13,216,226	\$ 8,741,466	\$ 7,650,655
1995-1996	84,028,007	4,503,151	481,294	8,771,355	9,718,270	7,944,731
1996-1997	96,436,308	4,936,600	460,324	14,440,090	10,630,863	8,931,578
1997-1998	106,604,736	5,410,263	507,081	10,625,848	10,591,442	11,226,970
1998-1999	110,363,197	4,604,626	1,010,907	6,468,190	11,031,711	10,542,611
1999-2000	108,016,305	4,943,786	1,198,190	26,988,249	9,405,373	20,516,063
2000-2001	123,009,461	4,771,437	2,006,225	33,148,984	4,891,485	25,098,941
					Motor Vehicle	
	Property Tax	Sales Tax	Business Tax	Other Taxes	In Lieu	Impact Fees
2001-2002	\$ 58,062,912	\$ 29,195,816	\$ 5,655,770	\$ 3,161,945	\$ 11,568,423	\$ 2,916,140
2002-2003	60,328,147	28,202,974	5,599,379	2,895,600	12,014,183	2,687,489
2003-2004	63,385,957	26,796,489	5,323,827	3,380,411	9,541,508	6,987,670

Includes all governmental fund types; does not include special assessment collections.

During the fiscal year ended June 30, 2002, the City changed its revenue classifications to be more informative.

Table 1

Other		Total	
\$	2,594,465	\$	111,108,173
	2,305,550		117,752,358
	1,570,562		137,406,325
	1,406,420		146,372,760
	6,849,649		150,870,891
	877,162		171,945,128
	3,699,786		196,626,319

Franchises		Charges for Services		Intergovernmental		Investment Earnings		Other		Total	
\$	7,466,757	\$	19,856,637	\$	14,485,284	\$	13,739,916	\$	3,178,134	\$	169,287,734
	6,872,912		21,320,438		19,716,307		10,045,155		730,203		170,412,787
	7,003,922		24,768,526		20,985,273		3,403,310		1,779,007		173,355,900

**City of Fremont**  
**General Governmental Expenditures by Function**  
**June 30, 2004**  
**Last Ten Fiscal Years**  
(Unaudited)

Fiscal Year	General Government	Public Safety	Health and Human Services	Capital Assets Maintenance and Operations	
				City	Assessment Districts
1994-1995	\$ 6,879,810	\$ 39,840,257	\$ 3,305,952	\$ 18,610,896	\$ 4,937
1995-1996	7,244,853	41,928,850	3,153,944	19,300,527	11,646
1996-1997	8,610,843	46,087,370	2,774,125	27,673,064	167,602
1997-1998	9,420,037	48,571,610	2,903,475	31,702,587	66,893
1998-1999	9,564,525	52,550,568	2,895,775	31,841,769	66,600
1999-2000	11,290,308	54,939,545	5,288,882	30,562,549	73,473
2000-2001	15,423,348	53,957,724	4,287,574	54,440,841	70,895
2001-2002	11,981,513	62,972,267	4,752,837	38,129,953	93,951
2002-2003	12,019,481	59,309,934	5,685,116	34,356,219	96,272
2003-2004	10,270,078	60,986,884	5,480,620	31,738,936	99,484

Includes all governmental fund types; excludes debt service expenditures for special assessments

<sup>1</sup> Includes expenditures of \$21,275,000 for the refunding of 1991 and 1993 Certificates of Participation

<sup>2</sup> Includes expenditures of \$21,719,059 for the refunding of 1993 Certificates of Participation

**Table 2**

Recreation and Leisure Services	Community Development	Capital Outlay	Inter- Governmental	Debt Service	Total
\$ 4,089,018	\$ 9,320,291	\$ 23,140,161	\$ 3,215,350	\$ 5,698,946	\$ 114,105,618
4,536,253	7,116,830	16,957,160	3,574,620	5,774,850	109,599,533
4,062,656	10,366,676	12,736,234	4,147,256	6,238,266	122,864,092
4,495,257	14,268,045	9,557,224	2,195,793	29,589,378 <sup>1</sup>	152,770,299
4,417,485	9,532,603	34,767,765	2,561,063	29,260,552 <sup>2</sup>	177,458,705
4,355,297	17,305,194	16,402,910	5,968,676	19,831,871	166,018,705
5,121,053	39,391,274	5,440,683	8,230,548	10,464,970	196,828,910
5,441,694	26,440,166	16,999,390	7,405,599	11,238,944	185,456,314
5,324,337	29,300,150	29,113,450	6,371,857	12,926,598	194,503,414
5,201,139	29,818,864	32,971,268	8,940,670	14,631,015	200,138,958

**City of Fremont**  
**Property Tax Assessed Values, Levies and Collections**  
**June 30, 2004**  
**Last Ten Fiscal Years**  
(Unaudited)

Fiscal Year	Gross Assessed Value <sup>1</sup>	Net Assessed Value <sup>1</sup>	Operating Tax Rate Per \$100	Total Tax Levy <sup>1</sup>	Current Tax Collections
1994-1995	\$ 14,025,570,379	\$ 13,653,817,788	1.000	\$ 19,535,750	\$ 17,740,871
1995-1996	14,626,291,854	14,250,611,862	1.000	20,184,395	18,397,050
1996-1997	15,499,780,352	15,120,017,021	1.000	21,087,526	19,434,230
1997-1998	16,457,063,825	16,065,956,513	1.000	22,876,216	22,394,531
1998-1999	18,086,444,873	17,739,384,273	1.000	25,200,446	24,783,031
1999-2000	19,738,791,092	19,191,155,316	1.000	24,419,920	24,419,920
2000-2001	21,302,269,064	20,738,822,048	1.000	26,525,016	28,663,957
2001-2002	23,488,463,488	22,900,425,051	1.000	31,962,996	30,260,493
2002-2003	24,637,985,028	24,039,243,602	1.000	30,888,453	31,222,911
2003-2004	25,789,124,884	25,185,580,713	1.000	34,570,844	33,488,552

<sup>1</sup> Source: City of Fremont Finance Department, Treasury Division, and Alameda County Auditor - Controller

<sup>2</sup> Includes interest and penalty remittances

**Table 3**

Percent of Levy Collected	Delinquent Tax Collections <sup>2</sup>	Total Tax Collections	Percent of Levy Collected
90.81%	\$ 1,370,007	\$ 19,110,878	97.83%
91.14%	1,075,588	19,472,638	96.47%
92.16%	950,690	20,384,920	96.67%
97.89%	1,091,086	23,485,617	102.66%
98.34%	847,888	25,630,919	101.71%
100.00%	3,521,224	27,941,144	114.42%
108.06%	603,092	29,267,049	110.34%
94.67%	732,220	30,992,713	96.96%
101.08%	1,077,741	32,300,652	104.57%
96.87%	2,436,537	35,925,089	103.92%

**City of Fremont**  
**Property Tax Rates - Direct and Overlapping Governments**  
**June 30, 2004**  
**Last Ten Fiscal Years**  
(Unaudited)

**Table 4**

Fiscal Year	City	County	School District	Special Districts	Total
1994-1995	.0016	1.0000	.0189	.0465	1.0670
1995-1996	.0017	1.0000	.0279	.0425	1.0721
1996-1997	.0016	1.0000	.0337	.0390	1.0743
1997-1998	.0014	1.0000	.0284	.0401	1.0699
1998-1999	.0000	1.0000	.0275	.0322	1.0597
1999-2000	.0000	1.0000	.0256	.0127	1.0383
2000-2001	.0000	1.0000	.0256	.0127	1.0383
2001-2002	.0000	1.0000	.0234	.0136	1.0370
2002-2003	.0000	1.0000	.0572	.0121	1.0693
2003-2004	.0029	1.0000	.0742	.0106	1.0877

Source: Alameda County Auditor-Controller

**City of Fremont**  
**Special Assessment Collections**  
**June 30, 2004**  
**Last Ten Fiscal Years**  
(Unaudited)

**Table 5**

<u>Fiscal Year</u>	<u>Assessment Due</u>	<u>Assessment Collections</u>
1994-1995	\$ 11,191,366	\$ 11,460,473
1995-1996	11,283,873	10,998,395
1996-1997	10,668,880	11,981,456
1997-1998	11,734,421	11,680,635
1998-1999	12,168,351	11,980,588
1999-2000	12,041,155	12,070,975
2000-2001	11,555,644	11,250,491
2001-2002	11,609,650	11,448,648
2002-2003	13,630,256	13,752,449
2003-2004	13,027,690	13,001,184

Source: City of Fremont Finance Department, Treasury Division

City of Fremont
Computation of Legal Debt Margin
June 30, 2004
(Unaudited)

Table 6

Under State law, the City has a legal debt limitation not to exceed 15% of the total assessed valuation of taxable property within the City boundaries. In accordance with California Government Code Section 43605, only the City’s general obligation bonds are subject to the legal debt limit. With \$10,000,000 in outstanding debt subject to the legal debt limit and a legal debt limit of \$3,777,837,107, the City is not at risk of exceeding its legal debt limit.

Assessed Valuation (Net)	\$ 25,185,580,713 <sup>1</sup>
Debt limit is 15% of Assessed Value	\$ 3,777,837,107
Less Outstanding Debt (Subject to the Legal Debt Limit)	10,000,000 <sup>2</sup>
Legal Debt Margin	\$ 3,767,837,107

<sup>1</sup> Alameda County Auditor-Controller's Office Certification
<sup>2</sup> Table 10, following, describes the composition of all of the City's outstanding debt. In accordance with California Government Code Section 43605, only the City's general obligation bonds are subject to the legal debt limit.

**City of Fremont**  
**Schedule of Direct and Overlapping Debt**  
**June 30, 2004**  
(Unaudited)

**Table 7**

	Percent Applicable	Debt as of June 30, 2004
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>		
Chabot-Las Positas Community College District	0.00006	\$ - (a)
Fremont-Newark Community College District	80.755	29,249,461
Fremont Unified School District	100.000	150,858,840
Sunol Glen Unified School District	0.00339	6,525
City of Fremont	100.000	10,000,000
City of Fremont 1915 Act Bonds	100.000	54,175,000
East Bay Regional Park District	10.744	16,457,659
<b>TOTAL DIRECT AND OVERLAPPING TAX ASSESSMENT DEBT</b>		<b>260,747,485</b>
<b><u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u></b>		
Alameda County General Fund Obligations	18.044	94,739,842
Alameda County Pension Obligations	18.044	64,362,621
Alameda County Board of Education Public Facilities Corporation	18.044	497,112
Alameda-Contra Costa Transit District Certificates of Participation	21.562	4,647,689
Chabot-Las Positas Community College District Certificate of Participations	0.006	537
Fremont Unified School District Certificates of Participations	100.000	6,140,000
City of Fremont Certificates of Participations	100.000	141,600,000
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		<b>311,987,801</b>
<b>COMBINED TOTAL DEBT</b>		<b>\$ 572,735,286 (b)</b>

(a) Excludes share of general obligation bonds dated 8/19/04.

(b) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital leases obligations.

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# City of Fremont

Table 8

## Percentage of Annual Debt Service for General Debt to Total Governmental Expenditures

June 30, 2004

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Principal	Interest and Fiscal Charges	Total Debt Service	Total Expenditures	Ratio of Debt Service to Expenditures
1994-1995	\$ 1,245,000	\$ 4,453,946	\$ 5,698,946	\$ 114,105,618	4.99%
1995-1996	1,321,077	4,453,773	5,774,850	109,599,533	5.27%
1996-1997	1,657,720	4,487,921	6,145,641	122,864,092	5.00%
1997-1998	23,245,000	6,344,378	29,589,378	152,770,299 <sup>1</sup>	19.37%
1998-1999	24,059,059	5,201,493	29,260,552	177,458,705 <sup>2</sup>	16.49%
1999-2000	9,547,638	10,284,233	19,831,871	166,018,705	11.95%
2000-2001	2,215,000	8,249,970	10,464,970	196,828,910	5.32%
2001-2002	4,835,000	6,403,944	11,238,944	185,456,314	6.06%
2002-2003	5,385,000	7,541,598	12,926,598	194,503,414	6.65%
2003-2004	6,455,000	8,176,016	14,631,016	200,138,958	7.31%

<sup>1</sup> Includes expenditures of \$21,275,000 for the refunding of 1991 and 1993 Certificates of Participation

<sup>2</sup> Includes expenditures of \$21,719,059 for the refunding of 1993 Certificates of Participation

# City of Fremont

## Ratio of Net General Debt to Assessed Value and Net Debt Per Capita

June 30, 2004

### Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Population <sup>1</sup>	Gross Assessed		Gross Debt <sup>2</sup>		Debt Service Monies Available
		Value				
1994-1995	187,585	\$	14,025,570,379	\$	62,695,000	\$ 8,683,016
1995-1996	187,931		14,626,291,854		61,865,056	8,017,821
1996-1997	192,160		15,499,780,352		66,382,336	9,063,561
1997-1998	198,710		16,457,063,825		84,146,457	9,232,949
1998-1999	203,600		18,086,444,873		82,125,077	8,128,546
1999-2000	208,000		19,738,791,092		74,690,077	16,136,355
2000-2001	207,169		21,302,269,064		157,085,000	32,194,774
2001-2002	208,600		23,488,463,688		162,555,000	38,513,323
2002-2003	208,998		24,637,985,028		206,350,000	44,310,357
2003-2004	209,080		25,789,124,884		214,105,000	49,757,270

<sup>1</sup> Source: U.S. Census and Department of Finance, State of California

<sup>2</sup> Gross debt and debt service monies available include all tax allocation bonds and certificates of participation; excluded is special assessment debt and other accrued long-term liabilities.

**Table 9**

Net Debt		Ratio of Net Debt to Gross Assessed Value	Net Debt Per Capita	
\$	54,011,984	0.3851%	\$	287.93
	53,847,235	0.3682%		286.53
	57,318,775	0.3698%		298.29
	74,913,508	0.4552%		377.00
	73,996,531	0.4091%		363.44
	58,553,722	0.2966%		281.51
	124,890,226	0.5863%		602.84
	124,041,677	0.5281%		594.64
	162,039,643	0.6577%		775.32
	164,347,730	0.6373%		786.05

**City of Fremont**  
**Composition of Long-Term Debt**  
**June 30, 2004**  
**Last Ten Fiscal Years**  
(Unaudited)

**Table 10**

Fiscal Year	General Obligation Bonds	Certificates of Participation	Tax Increment Bonds	Other	Total
1994-1995	\$ 620,000	\$ 56,545,000	\$ 5,530,000	\$ -	\$ 62,695,000
1995-1996	415,000	55,750,000	5,275,000	425,056	61,865,056
1996-1997	210,000	60,815,000	5,000,000	357,336	66,382,336
1997-1998	-	79,135,000	4,700,000	311,457	84,146,457
1998-1999	-	77,500,000	4,375,000	250,077	82,125,077
1999-2000	-	74,440,000	-	250,077	74,690,077
2000-2001	-	107,085,000	50,000,000	-	157,085,000
2001-2002	-	115,110,000	47,445,000	-	162,555,000
2002-2003	-	143,660,000	62,690,000	-	206,350,000
2003-2004	10,000,000	141,600,000	62,505,000	-	214,105,000

**City of Fremont**  
**Demographic Statistics**  
**June 30, 2004**  
**Last Ten Fiscal Years**  
(Unaudited)

**Table 11**

Year	Square Miles	Population <sup>1</sup>	County Population <sup>1</sup>	City Population % of County	Alameda County Median Income <sup>2</sup>
1995	90	187,585	1,344,157	14.0%	\$ 27,339
1996	90	187,931	1,356,102	13.9%	28,672
1997	90	192,160	1,375,850	14.0%	30,327
1998	90	198,710	1,408,073	14.1%	32,130
1999	90	203,600	1,433,300	14.2%	34,131
2000	90	208,000	1,454,300	14.3%	38,624
2001	90	207,169	1,479,100	14.0%	Not Available
2002	90	208,600	1,484,698	14.0%	Not Available
2003	90	208,998	1,496,218	14.0%	Not Available
2004	90	209,080	1,498,020	14.0%	Not Available

<sup>1</sup> Source: U.S. Census and Department of Finance, State of California

<sup>2</sup> Source: State Franchise Tax Board - Personal Income Tax Statistics - All Returns Taxable and Nontaxable

**City of Fremont**  
**Construction**  
**June 30, 2004**  
**Last Ten Fiscal Years**  
(Unaudited)

**Table 12**

Fiscal Year	Commercial/Industrial		Residential	
	Number of Permits	Estimated Value	Number of Permits	Estimated Value
1994-1995	680	\$ 119,305,081	3,769	\$ 123,924,266
1995-1996	835	191,229,575	4,287	158,551,633
1996-1997	880	240,551,122	4,564	251,255,813
1997-1998	933	279,635,695	4,803	271,048,630
1998-1999	770	119,600,880	5,352	248,200,917
1999-2000	875	193,250,601	4,582	158,243,434
2000-2001	991	229,158,070	4,276	134,146,642
2001-2002	811	145,224,742	4,162	93,908,111
2002-2003	744	88,715,823	3,946	93,082,949
2003-2004	748	131,361,568	4,475	109,895,757

**City of Fremont**  
**Major Taxpayers**  
**June 30, 2004**  
(Unaudited)

**Table 13**

Major Property Taxpayers	Alameda County Assessor's Office Assessed Value	Percent of 2003/04 Total Gross Assessed Valuation
New United Motors Manufacturing, Inc.	\$ 987,384,555	4.25%
Catellus Development Corporation	247,154,189	1.06%
CalWest Industrial Properties LLC	159,362,024	0.69%
Ardenwood Corporate Park Associates	147,266,290	0.63%
John Arrillago & Richard Peery	145,644,965	0.63%
BRE Properties Inc	137,636,254	0.59%
SCI LP I	131,404,373	0.57%
Renco Investment Company	93,964,952	0.41%
ERP Operating LP	74,303,209	0.32%
SSR Western Multifamily LLC	94,177,192	0.32%
Total	\$ 2,218,298,003	9.47%
Gross Assessed Valuation, 2003/04	\$ 25,789,124,884	

Major Sales Taxpayers (listed alphabetically)

Albertsons	Ise Labs
Anderson Lexus	Longs Drugs
Auto West Dodge Chrysler Isuzu	Office Depot
Auto West Honda	Pape Lift
Arco Am Pm Mini Marts	PJs Construction Supplies
Central Chevrolet	S & S Tool and Supply
Claridges BMW	Safeway
Claridges Mercedes Porsche BMW	Sysco Food Services
Costco	Target
Dale Hardware	Toyota Motor
Fremont Toyota	Tri-City Sporting
Frys Electronics	Walgreens
Home Depot	

**City of Fremont**  
**Miscellaneous Statistical Data**  
**June 30, 2004**  
(Unaudited)

**Table 14**

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Date of Incorporation	January 23, 1956
Form of Government	General Law City governed by City Council and administered by a City Manager
Employees (per adopted FY 2003/04 budget):	
Fire protection	157.60
Police protection	292.90
Other classified employees	437.07
Total employees	<u>887.57</u>
Community Services:	
Parks	52
Community centers	5
Fire Stations	10